

Herald Tribune

Published with The New York Times and The Washington Post

9,333

PARIS, TUESDAY, MAY 31, 1977

Established 1887

In Mozambique

Rhodesia Attacks Two More Bases

By Robin Wright

SOBURY, Rhodesia, May 30 (UPI)—Rhodesian Army headquarters today announced that two more guerrilla bases in Mozambique have been "overrun and destroyed" in a two-day ground and air attack.

More guerrillas have been killed, bringing the official death toll to at least 25. A military communiqué said: "There have been three more Rhodanese successes in the last 48 hours."

The most significant action to date in terms of war material destroyed, which Rhodesian forces claim is their main objective. The loss of administrative bases also will be a serious setback for the insurgents.

Informal sources said here today that about 500 Rhodesian commandos and support troops, with air support, were involved in the operation that has destroyed three guerrilla camps along Mozambique's southwest border since the first strike yesterday morning.

Supply Base Hit
The raid today reportedly penetrated 60 miles into an area near Mapai, hitting what the communiqué described as "the terrorist headquarters and main supply base."

The base, which was the controlling center for all incursions into southern Rhodesia, was destroyed together with large quantities of weapons, ammunition, explosives and equipment, the statement said.

A Mozambique defense spokesman said today that Rhodesian forces also hit a location in northwestern Mozambique near Chicoco in Tete Province, about 50 miles from the Rhodesian border. The statement said that two fighter planes and a helicopter, which allegedly dropped napalm bombs on Chicoco, had been shot down.

Rhodesia denied the claims. In the last punitive strike across the border in November, the Rhodesians admitted hitting "several" camps in one area of the country, but it was later learned that forces struck two parts of the country, in the north and south, including Chicoco and Mapai.

Guerrilla Gangs
The raid was launched yesterday when security forces began tracking guerrilla gangs who have penetrated Rhodesia in increasing numbers in the last week, military sources claimed. A communiqué yesterday said that, as a result of information gained on the first attack, a follow-up operation was continuing. It is believed that Rhodesian forces are still in Mozambique.

It was the third "hot-pursuit" operation into Mozambique—the first two were in August and November last year, during which several hundred were killed. A fourth raid was conducted earlier this month into Botswana.

The strike was made while a four-member Anglo-U.S. consulting team is attempting to work out a new peace package to settle Rhodesia's 11-year-old constitutional crisis. The action is certain to lead to new condemnation from Mozambique and the liberation movements.

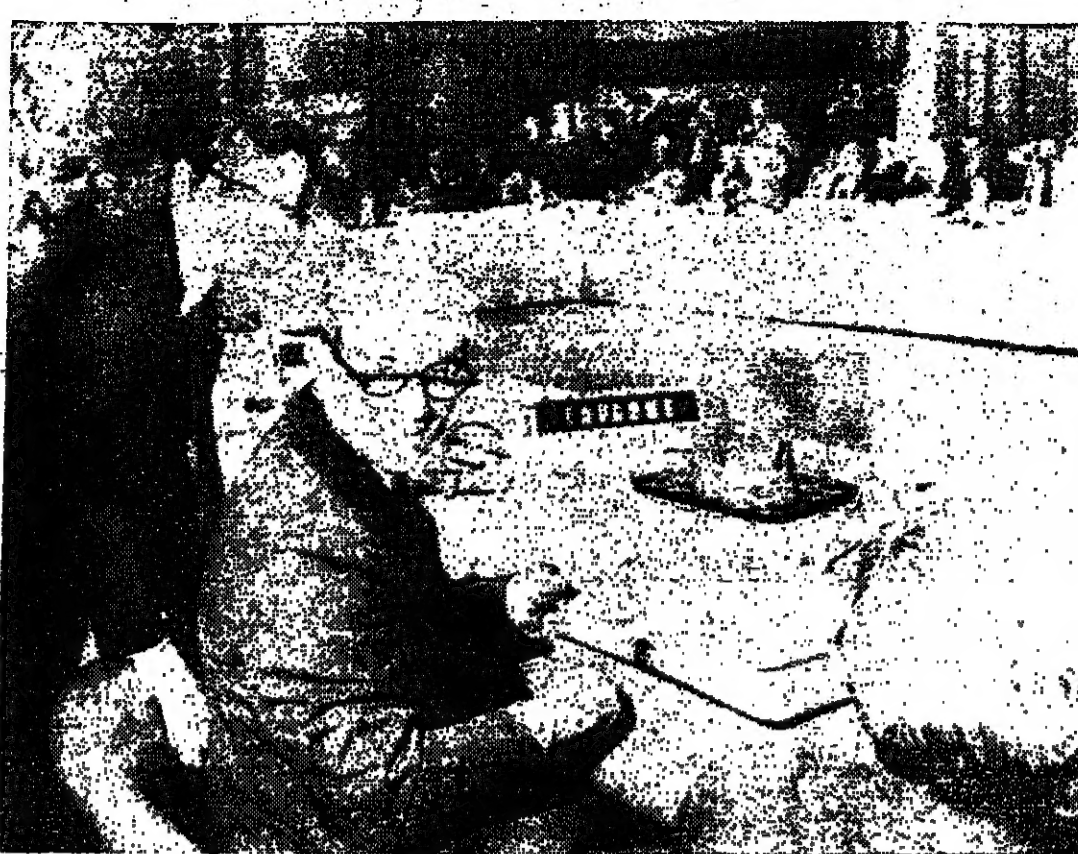
Three Reported Dead In Iranian Earthquake

TEHRAN, May 30 (Reuters)—Tremors that shook the Iranian-Turkish border area on Thursday killed at least three persons and injured nine, the official Pars news agency reported.

It said that the earthquake caused heavy damage in the Iranian villages of Akhoun and Hich in western Azerbaijan province. The quake had been reported previously as a series of light tremors without casualties.

Of the total, 22 have crashed. And the Marine Corps is distressed over the loss of seven lives, \$63.6 million and 16 airplanes in those crashes. The corps is also concerned over the steep climb of the Harrier accident rate in the last three years—the period in which, experts said, familiarity with the airplane and the greater experience of pilots should reduce mishaps.

In nine weeks earlier this year four Harriers crashed near the Marine Corps Air Station here, where three of four U.S. Harrier squadrons are based. Those crashes brought to 15 the number that have gone down since 1975.



U.S. Secretary of State Cyrus Vance at the North-South conference in Paris yesterday.

If Your Yak Refuses Food, Brace Yourself

TOKYO, May 30 (UPI)—For those who worry about earthquakes, a Japanese scientist offers this advice: Keep a pet yak.

When the yak refuses to eat, begin earthquake countermeasures. A yak on a hunger strike may be a sign that a quake is only a few hours off. Animals often do odd things before earthquakes, says Tetsuji Rikitake, a scientist at the Tokyo Institute of Technology, who has just finished compiling 197 case histories of strange behavior of animals before big quakes in Japan, China and Europe during the last 300 years.

The yak, a Tibetan ox, is one of several animals that may be able to anticipate quakes, Mr. Rikitake writes. Cats, mice, caged birds and even tigers in zoos have histories of acting up before the ground begins to tremble.

North-South Talks Open

Vance Pledges U.S. Support For New Economic System

By James Goldsborough

PARIS, May 30 (UPI)—Following 18 months of often acrid negotiations, the world's most prosperous nations laid out today their proposals on development, commodity support, aid and financing to the 19 developing nations at the North-South conference.

At the opening of the three-day ministerial session to end this phase of the conference, U.S. Secretary of State Cyrus Vance pledged U.S. support for a "new international economic system" and said that Washington no longer would simply follow along. "We will join with you in sharing the responsibility to lead," he said, calling for the North-South dialogue to continue.

Eight delegations representing 16 industrial nations spoke today to present the final positions agreed to during their talks here last week. The developing nations will respond tomorrow.

The initial reaction by the

But Dutch Are Wary Moluccans Moderate Demand on Hostages

ASSEN, the Netherlands, May 30 (AP)—South Moluccan terrorists agreed today to release the hostages held for eight days in a train and school if they were allowed to fly to an undisclosed country, officials said.

The surprise offer came after a week of negotiations between Dutch officials and the gunmen, who at one time held about 165 men, women and children.

Officials said that the gunmen appeared to have dropped two main demands—that some of the hostages accompany them abroad and that 21 comrades jailed for previous terrorist acts be set free.

"The 21 prisoners are at this moment no issue because the topic has not been under negotiation in the last few days," said Toos Faber of the Justice Ministry.

Despite the apparent break in the impasse, another ministry official, Wim van Leeuwen, cautioned that "at this moment, we have not reached a situation where a workable solution is in sight."

He said that the South Moluccans, who want independence from Indonesia for their ancestral islands in the former Dutch East Indies, had "made difficulties" in earlier negotiations and "the problem is how seriously this offer is to be taken."

Mr. van Leeuwen said that the government would not accept any offer until the terrorists disclosed their destination. He said they first asked for a long-range jumbo jet but later said any aircraft would do.

Children Out of Danger
The drama began on May 23 when the gunmen, members of a militant faction of the country's 40,000-member South Moluccan community, seized a commuter train and the village school in Boveninsluis 10 miles away.

Last week, the terrorists freed all 105 school children after about half of them developed stomach ailments. Doctors at first thought some of the children may have contracted meningitis, but they said the last child showing signs of the illness was "free of fever and in good condition."

A hospital spokesman said that only seven children remained hospitalized, and they were expected to be released tomorrow or Wednesday.

While negotiations were under way, Dutch authorities tightened the noose around the terrorists, cutting the telephone line between the train and school, where three teachers and the principal are still being held, and stringing barbed wire around the school.

Mrs. Faber said that the decision to cut the line was made after technical problems developed on the train and the government was unwilling to send a repairman to fix it.

She said that the terrorists were prepared to permit the barbed wire because it kept out curiosity seekers who had annoyed them. She said the gunmen could still communicate with the nearby Moluccan community by hand signals and shouts. Authorities believe there are 55 to 57 hostages on the train.

The town's 1,200 Moluccans live within a few hundred yards of the school.

Authorities remain apprehensive over the health of a 23-year-old pregnant hostage, who was traveling to her doctor in Groningen when the train was seized.

Despite fears for the woman's health, officials believe conditions aboard the train may have improved, thanks in part to a cold wave that has dropped daytime temperatures from the 80s to the 40s.

The gunmen have allowed authorities to send in cleaning supplies and to remove garbage from the train. Although they have not allowed doctors or nurses aboard, a 24-year-old medical student who is a hostage has been

receiving advice on sanitation and health by telephone from a Dutch Army psychiatrist, Dr. Henk Haviga, officials said.

Although there was no indication where the South Moluccans wanted to go, there were reports they might ask to be flown to Vietnam, which is not on good terms with the Indonesian government.

Coalition Maneuvering Goes On

Likud Formally Names Begin As Its Choice to Head Cabinet

JERUSALEM, May 30 (UPI)—The conservative Likud bloc today presented its leader, Menachem Begin, to President Ephraim Katzir as a potential prime minister, setting in motion the formalities for the installation of a new government.

Likud leaders said they discussed the shape of a Begin-led coalition government with Mr. Katzir.

One of them, Ezer Weizman, expressed confidence that the former opposition bloc will be able to set up a coalition with

a stable majority of 61 seats in the 120-member Knesset (parliament).

The major prospective partner, the Democratic Movement for Change, scheduled a meeting for tonight to decide whether to continue coalition talks with the Likud. The DMC last Thursday broke off the talks in opposition to Mr. Begin's choice of Moshe Dayan as his foreign minister. The Likud yesterday endorsed its leader's choice of Mr. Dayan for the post.

A seven-man Likud delegation met with Mr. Katzir for an hour today to discuss coalition possibilities. The session was a necessary formality for all of the political parties that won seats in the Knesset in the May 17 election.

Won 43 Seats

Mr. Katzir is expected to choose Mr. Begin to form a government because the Likud won a plurality of 43 seats in the election. He is expected to call in Mr. Begin on Sunday.

"We presented Mr. Begin as the potential prime minister, and we discussed a few problems," said Mr. Weizman, 53, who has been designated by the Likud to be defense minister.

Mr. Begin, 63, was not present at today's meeting, having been ordered by his doctors to rest until June 15. He was released from a hospital yesterday after a six-day stay for treatment of a heart ailment.

"We are doing our best to form a government as soon as possible," Mr. Weizman said. "We'll form a government with over 60 seats."

The No. 2 leader of the Likud, Simha Ehrlich, said that the delegation "discussed coalition possibilities" with Mr. Katzir. "We would like to see as broad a coalition as possible," Mr. Ehrlich said.

The government that would include the more dovish DMC, headed by archaeologist Yigal Yadin, would give the rightist Likud a broader base.

The DMC won 15 seats, taking most of them from disaffected voters of the Labor party, which was ousted from power after ruling Israel for 29 years.

Mr. Weizman said that the Likud's bare majority of 61 of the 120 Knesset seats could be reached with a coalition of the National Religious party, with 12 seats; the Aguda religious party, with 4 seats; and Shomron, headed by reserve Maj. Gen. Ariel Asharon, with 2 seats.

A decision by the DMC to join the Likud with the other parties would give the coalition 56 seats—more than enough for stability.

If, as expected, Mr. Begin gets the mandate from Mr. Katzir to form a government, the nominees will have three days to decide whether to accept the invitation. If he accepts, as expected, he will have 43 days in which to set up the coalition. If he cannot form a government in that period, Mr. Katzir could turn to the runner-up in the election, the Labor party, and give it the mandate.

The Likud's decision yesterday to stick by Mr. Dayan's nomination to the Foreign Ministry post was stated in general terms and was reached after angry demonstrations and protests from within the party itself.

Had to DM
Party leader Golda Meir said that the Likud Executive Committee phrased its statement carefully in an effort to lure back the Democratic Movement for Change, which dropped out of coalition talks because its leaders were not consulted about the nomination.

"If there was a misunderstanding, we take the fault upon ourselves," Mr. Meir said. The statement said the committee empowered the man designated to establish the next government to name the other ministers and called for "a continuation of the efforts to establish a government on the broadest parliamentary base."

Pakistan Opposition Gloomy As Crisis Talk Is Scheduled

ISLAMABAD, Pakistan, May 30 (Reuters)—The government of Pakistan announced today that it will open talks with opposition parties Friday on resolving the nation's 12-week-old political crisis.

Religious Affairs Minister Maulana Kausar Niazi said that the government would approach the talks "with an open mind and an open heart."

He declined to say whether the government would free imprisoned leaders of the nine-party opposition Pakistan National Alliance before the dialogue begins.

The opposition was less optimistic. "Nothing will come out of the talks, you will see," Pir Pagaro, acting president of the PNA, said.

Mr. Maulana Niazi said the government would insure a congenial atmosphere for the talks. He said Prime Minister Zulfikar

All Bhutto had ordered the release of Mrs. Naseem Wali Khan, the most prominent woman in the PNA and wife of jailed PNA leader Abdul Wali Khan.

He said that there were no preconditions for the dialogue and that all political problems were open for discussion, including the question of new general elections.

The crisis began after general elections last March when the PNA charged that Mr. Bhutto had obtained his landslide victory through massive rigging.

The opposition plunged the Muslim nation of 72 million persons into political turmoil by launching a campaign of mass agitation to try to force Mr. Bhutto to resign and hold a new election.

The agitation, which has subsided recently, has claimed at least 350 lives and caused damage estimated at more than \$1 billion.

Equality, Growth, Justice
He said that the United States today stood for a new economic system built on "equality, growth and, above all, justice." But he added that it would take "painful adjustments, accommodations and sacrifices by all of us present here today."

Mr. Vance said that the administration would seek increased funds from Congress for foreign aid in the next five-year period, but he said that aid must be redirected.

"Too many of our transfers, too much of our aid has not been intelligently directed to the purposes and priorities which will really make a difference in people's lives," he said. "We will demand that this aid be effectively planned, delivered and administered."

He put a proviso on the \$375 (Continued on Page 2, Col. 4)

British VSTOL Plane a Problem for U.S. Marines: 22 Have Crashed

By Richard Whittle

CHERRY POINT, N.C., May 30 (UPI)—Maj. Drax Williams tugged on a lever, braking his AV-8A Harrier jet from a speed of 500 miles an hour to a midair halt, and let it hover over a Marine Corps runway near here like an angry hummingbird.

The U.S. Marine Corps has purchased 110 British-built Harriers at \$3.4 million apiece since 1971.

Of the total, 22 have crashed. And the Marine Corps is distressed over the loss of seven lives, \$63.6 million and 16 airplanes in those crashes. The corps is also concerned over the steep climb of the Harrier accident rate in the last three years—the period in which, experts said, familiarity with the airplane and the greater experience of pilots should reduce mishaps.

In nine weeks earlier this year four Harriers crashed near the Marine Corps Air Station here, where three of four U.S. Harrier squadrons are based. Those crashes brought to 15 the number that have gone down since 1975.

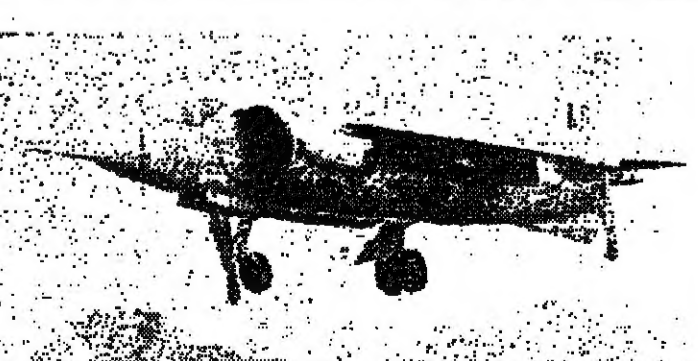
Wing Comdr. John Curry of the air attaché's office at the British Embassy in Washington would not release accident statistics for the 109 Harriers bought by the Royal Air Force since 1959. "I'm afraid that's regarded at home as classified," he said.

Also classified, Marine Brig. Gen. Leo Leblanc said, are the official reports on why 22 Harriers of the Marine Corps have gone down.

But a clue may exist in the unusual and difficult maneuvers that the Harrier performs—the same maneuvers that sold the "Marine Corps" on the airplane and gave Hawker Siddeley Aviation Ltd. of Britain the distinction of being the first foreign firm to sell the United States a major weapons system.

The Harrier is the first operational military aircraft in the Western world that uses vertical and short takeoff and landing concepts that are rewriting warfare tactics.

Until the last few years, the



The Harrier

United States had been slow in getting to work on VSTOL. That has changed dramatically.

"Why all the action in the VSTOL area?" reporter John Rhee wrote in last November's issue of Sea Power magazine. "One explanation offered is the recent appearance of the Soviet Yak-38 VSTOL on the deck of the carrier Kiev—a technological surprise which has been described as the 'Sputnik of the VSTOL business.'"

"These are the planes I am convinced will be the backbone of our aviation force at sea when we cross into the 21st century," asserted U.S. Navy Secretary Graham Chaffor in a speech less than a month ago.

An advanced VSTOL aircraft is a key part of the Navy's plan for the fleet of the 1990s. If a safe VSTOL plane that can carry a bigger load than the Harrier cannot be developed in time to join the fleet in the 1990s,

the whole concept of switching from Nimitz class carriers, which cost \$2 billion each, to "mini-carriers," costing half that much, will have to be re-evaluated.

The Harrier can take off straight up, hover, move backward or sideways as well as forward, brake within 100 yards from top speed to a midair stop and can land in forest clearings or on decks as small as 72 by 72 feet.

Of the 22 major Harrier accidents reported by the Marine Corps, 11 have occurred when the airplane was performing vertical takeoffs and landings or was in transition from normal flight to the hover.

Engineering marvels enable it to make those maneuvers. Four jet exhaust nozzles direct the thrust of the Harrier's Pegasus engine. They can be pointed directly aft for conventional flight, straight down for hovering or vertical takeoffs and landings, and at angles in between for takeoffs from as little as 500 feet of runway.

During vertical flight, four "puffer ducts"—small nozzles on

the nose, tail and wingtips that produce thrust air—control the plane.

The puffer ducts are designed to work automatically when the exhaust nozzles are turned vertical, but Harrier pilots say making the transition from normal flight to the hover and using the puffer ducts correctly are demanding tasks.

"You're going from high speeds to low speeds," Gen. Leblanc said, "and the airplane doesn't act like a normal airplane."

Maj. M. H. Brannum, a former test pilot and head of offensive air support systems for the Marines, went into more detail.

"Four conventional flight controls—four wing, vertical tail and horizontal tail—provide natural stability to the aircraft" at speeds greater than 120 knots he said. But at speeds lower than that—such as when the Harrier is being slowed to a hover—the airplane "just kind of wants to wander around on its own," the major added.

A. E. Stark, Hawker Siddeley's military liaison man in Washington, said the Harrier's "puffer ducts"—small nozzles on

the nose, tail and wingtips that produce thrust air—control the plane.

The puffer ducts are designed to work automatically when the exhaust nozzles are turned vertical, but Harrier pilots say making the transition from normal flight to the hover and using the puffer ducts correctly are demanding tasks.

"You're going from high speeds to low speeds," Gen. Leblanc said, "and the airplane doesn't act like a normal airplane."

Maj. M. H. Brannum, a former test pilot and head of offensive air support systems for the Marines, went into more detail.

"Four conventional flight controls—four wing, vertical tail and horizontal tail—provide natural stability to the aircraft" at speeds greater than 120 knots he said. But at speeds lower than that—such as when the Harrier is being slowed to a hover—the airplane "just kind of wants to wander around on its own," the major added.

A. E. Stark, Hawker Siddeley's military liaison man in Washington, said the Harrier's "puffer ducts"—small nozzles on



Focus

In Spain

second half of to- tion appears a special ouca on Spain.

To End Years of Coalition Rule

Turks Hope Vote Will Be Decisive

By Steven V. Roberts

ANKARA, May 30 (AP)—As the Turkish election campaign approaches its conclusion next Sunday, the country is covered with posters proclaiming the "only road" for "only one" party. The extreme left says that the "only" is revolution, the extreme right says that it is Islam. The social democrats say the "only" is the vote.

The election could determine whether democracy is, in fact, the only road for Turkey. For the last four years, this turbulent land of 42 million has been ruled by a series of indecisive coalition governments. Enormous economic, political and social troubles have been allowed to drift while leaders maneuvered for personal advantage.

The great fear is that the election will not produce a clear winner, making a coalition necessary, and with eight parties competing for votes that remains the most likely possibility. The only party with a chance for a majority in the 450-member parliament is the Republican People's party, a social democratic party, which now holds 185 seats. Bülent Ecevit, its leader, lasted only seven months as premier in 1974 before his coalition collapsed. The second strongest force is the Justice party, a conservative party headed by Premier Süleyman Demirel, who patched together a four-party coalition in April, 1975. In third place is the National Salvation party, which has held the balance of power since 1973 and advocates a mixture of strict Islamic faith and rapid industrialization.

Notable Achievement

Turkey's mere survival as a democratic country has been a notable achievement. With a per capita income of less than \$1,000, one-fourth of the European average, this is the world's poorest democracy outside India. The official literacy rate is almost 40 percent. The concept of moderation and compromise is so alien that deputies regularly draw guns or throw punches on the floor of the National Assembly (parliament), and the death toll

from political violence in the last two years exceeds 200.

This bloodshed has emerged as the leading issue in the campaign and poses the most immediate difficulty for any new government. Most analysts agree that the current leadership has not been firm enough with the troublemakers, but since both extremes believe they know the "only" way for Turkey, the fires of revenge are extremely difficult to quench. Moreover, the underlying social troubles that help spawn the bloodshed cannot be solved by riot police.

"In the past, the average Turk accepted the fact that one man was rich and most were poor—he did not question it," a Turkish politician said. "He won't accept it anymore."

Accordingly, hundreds of thousands of peasants have abandoned the countryside and moved to the cities. Once there, they demand schools and jobs, roads and electricity. The first thing they buy is a television set, and what they see on the tube only increases their impatience and anger.

Revenues Are Low

In order to deal with this rising tide of frustration, the government has placed top priority on economic development. Last year the growth rate was 7.2 percent, one of the highest in the

world, but the cost has been staggering.

For political reasons, the government has refused to reform the antiquated tax structure. State revenues have stayed low, and the development program has been financed by increasing the money supply. Inflation has soared to 25 percent. Since the government will not impose wage restraints, labor settlements have averaged between 30 and 50 percent. The development program demands foreign exchange to buy capital goods and raw materials, but exports and workers' remittances have slumped, and the central bank is practically broke. Yet no politician dares suggest that Turks must learn to live within their means.

In foreign affairs, the lack of firm governing authority has been equally disastrous. Since the summer of 1974, Turkish troops have occupied 40 percent of Cyprus, but the leadership keeps insisting that public opinion prevents it from offering a reasonable compromise. As a result, the U.S. Congress has restricted arms sales to Turkey. Ankara has suspended U.S. intelligence-gathering stations and the whole relationship continues to erode.

One of the more difficult and more important questions facing any new government here is Turkey's sense of identity. After Kemal Ataturk founded the Turkish Republic in 1923, he cut the Turkish people off from their Oriental, Islamic past but never really defined their future.

Different Programs

A conservative element responds to this uncertainty by espousing a return to fundamental religious ideals. Another wants to recapture Turkey's imperial glory. On the left, one faction thinks that Turkey should become less reliant on the Western alliance and follow a Scandinavian model. Others see Turkey as a leader of the non-aligned world, a sort of Moslem Yugoslavia, or even pro-Moscow. Twice in the last 17 years, when these strains threatened to pull the nation apart, the army stepped in, restored order and eventually turned power back to elected governments. The military sees itself as a guardian of democracy, and it has been waiting for this election, hoping along with everyone else that the result will be decisive.

If it is not, and the country continues to drift without direction, the chance for a new military move could rise sharply.

U.S. Marines And Harriers

(Continued from Page 1)

ington, observed: "With inexperienced pilots, the airplane has a tendency to slide to the side, which is where most accidents occur."

Until a couple of years ago, the Marine Corps reserved the Harrier for only the most experienced pilots. And Gen. LeBlanc conceded that, considering the difficulty of flying the airplane, "we might have been just a little too quick on relaxing the standards. We're looking at our selection procedures and tightening them up."

Another problem the Marines encountered with the Harrier, according to a General Accounting Office report released in January, was the difficulty in maintenance. Because of the distance between factory and customer, the GAO said, the Marines could repair only about 30 percent of a Harrier's components.

The Air Force and the Navy rejected the VSTOL because of its short range—360 miles—and its inability to carry its normal payload of 8,000 pounds of armaments when taking off or landing vertically.

The Harrier does not compare well, military analyst Michael Krepon wrote in the January issue of Foreign Affairs Quarterly, with the Soviet Yak-36. Mr. Krepon said: "The United States has a long way to go to attain performance needed out of these experimental aircraft."

Still, Gen. LeBlanc said, "We're satisfied with what we have." The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

Attacks Claimed By Palestinians

BEIRUT, May 30 (AP)—The Popular Democratic Front for the Liberation of Palestine claimed credit today for two guerrilla operations recently staged inside Israel.

It said in a communiqué that its operatives blew up fuel storage installations last Tuesday, killing an unspecified number of civilians at Pith Tekla, near Tel Aviv.

On Saturday, it added, another group of guerrillas dynamited a vegetable store in Jerusalem, "killing and wounding a large number of Zionists."



COZY CANALS—Young couple painting their floating home yesterday on one of Amsterdam's many canals. A neighbor (background) is absorbed in book after having hung washing on deck of houseboat. Boats are homes for many in city.

Vance Pledges U.S. Support For New Economic System

(Continued from Page 1)

million U.S. contribution to the "special action fund" for the world's poorest countries that has been proposed by the European Economic Community. He said that Washington would match the EEC's \$375 million contribution, but said that the U.S. share would be bilateral. In the past, congress has preferred bilateral aid to maintain more control over the funds.

Three U.S. members of Congress are here as part of the delegation. Sen. Jacob Javits, R-N.Y., Abraham Ribicoff, D-Conn., and Rep. Jonathan Bingham, D-N.Y.

Owen Gives Speech

Most of the other speeches by the industrial world's representatives stressed themes similar to those of Mr. Vance. British Foreign Secretary David Owen, speaking as chairman of the EEC, pointed out that when the conference opened 18 months ago the two sides were far apart on the common fund, debt financing, development assistance and energy problems. He said that solutions now were near on all of them.

The tone certainly changed during the 18 months of talks. From positions of near confrontation, with memories still fixed on the oil crisis, raw material shortages and the economic recession, the two sides neared mutual comprehension.

Saudi Arabia in particular became a leading voice for cooperation. And the most militant of the developing nations, Algeria and Iran, softened their tones as the recession and falling oil incomes weakened their positions.

Common-Fund Proposal

Allan MacEachern, Canadian co-chairman of the conference, said that the key to the "closing of the gap" between the two sides was the agreement on the common fund by the industrialized nations last week. The key to that accord was winning support from West Germany and the United States, two countries

More Than 100 Reported Held by Angola Regime

LUSAKA, Zambia, May 30 (Reuters)—More than 100 Angolans, including the army deputy chief of staff, have been detained in Luanda since last Friday's attempted coup, President Agostinho Neto was quoted as saying tonight.

An official of the ruling Popular Movement for the Liberation of Angola quoted President Neto as saying on the radio that the leaders of the abortive uprising also had followers in provincial areas and that foreigners were involved.

Still, Gen. LeBlanc said, "We're satisfied with what we have." The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

Still, Gen. LeBlanc said, "We're satisfied with what we have." The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

Still, Gen. LeBlanc said, "We're satisfied with what we have." The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

Still, Gen. LeBlanc said, "We're satisfied with what we have." The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

Still, Gen. LeBlanc said, "We're satisfied with what we have." The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

Still, Gen. LeBlanc said, "We're satisfied with what we have." The Marine Corps, being primarily an invasion force, likes the Harrier because the tight spots in which it can land and take off would allow it to operate in combat from only a few miles behind the front or just offshore in a conventional war.

Not a Peep From Albania

Bird-Watchers

LONDON, May 30 (AP)—Stanley Cramp, editor of a comprehensive new work on European birds, says that some Albanian species may not be represented because bird-watchers there are too afraid of the Communist government to provide lists and maps of their region.

He said: "The only details from Albania have come verbally from bird-watchers occasionally contacted by travelers. The Albanians are reluctant to put pen to paper in case their lists and maps are misinterpreted by the secret police as coded messages to the West."

Mr. Cramp is putting together Europe's largest book on birds of the western Palearctic. He and aides have for 17 years been collecting data from more than 40 countries on the 750 kinds of birds in Europe.

Zaire War and 20th Century Reducing Pygmy Population

By Tendayi Kumbula

WASHINGTON, May 30—There have been campaigns to save pygmies, tigers, whales, bald eagles, leopards and other endangered species.

Now Belgian-born Jean-Pierre Hallet, an author, agronomist and ethnologist, has added pygmies—the small, nomadic people found mainly in the equatorial forest of central Africa—to the list.

Until the Zairian war, pygmies had been secure in their tropical rain forest homes, unaffected by the advance of Western civilization.

Mr. Hallet, 50, now lives in California, but as a child he spent time among the Efe pygmies of Zaire, known then as the Belgian Congo. Between 1956 and 1960, he lived among the Efe.

Mr. Hallet, who in 1955 lost his right hand while dynamiting fish from Lake Tanganyika to feed starving Africans in Burundi, said that the pygmies should be left undisturbed in the Ituri Forest.

"I believe the pygmies have a right to be left alone, to survive in their own ancestral homeland," he said.

When moved from the forest into rural or urban areas, many pygmies quickly die from sunstroke and other conditions not found in the forest.

Mr. Hallet said that the number of Efe pygmies declined from 35,000 in the 1920s to 15,000 in the 1960s, just after Zaire became independent.

Now there are only 3,800 pure-blooded Efe still living in their natural state—and resisting attempts to drag them into the 20th century, he said.

In central Africa in the 1960s, there were about 35,000 pygmies (collectively referred to as the "Aubus"). They included the Efe, Aka and Twi. However, Mr. Hallet said most of the other groups have abandoned their traditional culture and have intermarried or been absorbed by stronger and larger surrounding groups.

Only the Efe have tried to continue their old ways. They usually live in small groups of fewer than 30, have no chiefs, elders or other hierarchy, preferring to settle disputes through from place to place.

Game in the forest, killed with poison-tipped bows and arrows, provides the meat they need to survive, Mr. Hallet said.

© Los Angeles Times.

© Los Angeles Times.

\$1.17 Million for Wheat

ROME, May 30 (UPI)—The World Food Program has announced a grant of \$1.17 million for 8,500 tons of wheat for the Indian state of Orissa.

Mr. Hallet said that the number of Efe pygmies declined from 35,000 in the 1920s to 15,000 in the 1960s, just after Zaire became independent.

Now there are only 3,800 pure-blooded Efe still living in their natural state—and resisting attempts to drag them into the 20th century, he said.

In central Africa in the 1960s, there were about 35,000 pygmies (collectively referred to as the "Aubus"). They included the Efe, Aka and Twi. However, Mr. Hallet said most of the other groups have abandoned their traditional culture and have intermarried or been absorbed by stronger and larger surrounding groups.

Only the Efe have tried to continue their old ways. They usually live in small groups of fewer than 30, have no chiefs, elders or other hierarchy, preferring to settle disputes through from place to place.

Game in the forest, killed with poison-tipped bows and arrows, provides the meat they need to survive, Mr. Hallet said.

© Los Angeles Times.

© Los Angeles Times.

Two Saudi Finance Aides See A Wealth of Economic Woe

By Thomas W. Lippman

JEDDAH, Saudi Arabia, May 30 (UPI)—How rich is Saudi Arabia? Not very, according to the kingdom's two top money managers.

Forget the billions of dollars in cash and gold that this country holds abroad, they recently told a group of journalists. Never mind an annual revenue surplus of at least \$15 billion. And take no notice of the daily oil income of about \$115 million in a country of 7 million residents.

In the view of Mohammed Ali Abu Khail, the minister of finance and economy, and Abdel Aziz Quraishi, governor of the Saudi Arabian Monetary Agency, or central bank, these are temporary, artificial surpluses that give a falsely sanguine picture of the kingdom's economic position.

"We don't have a surplus, we have a temporary liquidity," Mr. Abu Khail said. He and Mr. Quraishi projected that Saudi Arabia's expenditures would catch up with its income by the end of this decade and that the monetary reserves might be used up by the end of the next decade, even allowing for increased oil production at continually rising prices.

Different View

That may not be the view of Saudi Arabia held by the oil-importing countries that are going deeply into debt, by the impoverished Third World countries beseeching the Saudis for aid, or by the Western bankers concerned about the impact of Saudi investments on the world economic system.

There are foreigners here who dismiss this Saudi analysis as a self-serving, poor-little-rich-boy pose. To them, Saudi Arabia, with known oil reserves of about 170 billion barrels and perhaps as much more still undiscovered, appears immensely wealthy.

But Saudi leaders say that this country is so vast and underdeveloped, and its economic commitments so great, that it needs all the money it can raise—if not now, then soon.

According to Mr. Quraishi and Mr. Abu Khail, this country has only two resources, oil and cash, both depletable. The cash is being expended on modernization of the country.

"Every Cent"

"This is a developing country and needs every cent," Mr. Quraishi said. The money is kept mostly in short-term notes and liquid assets, he said, "so we can have it when we need it" to pay for the roads, communications, schools, hospitals, ports, factories, and water desalination plants.

He said the Saudis have a policy of never acquiring more than 5 percent of the shares of any corporation outside Saudi Arabia. Their money is in corporate bonds, government agency bonds and treasury notes, mostly in the United States, he said.

From figures provided by Mr. Abu Khail and Mr. Quraishi, from the monetary agency's annual report and from independent sources, this picture emerges of Saudi Arabia's cash position.

Foreign Holdings

Reserve holdings abroad are about \$26 billion to \$28 billion. However, total foreign holdings, including nonliquid assets, have been estimated by some analysts at nearly \$50 billion.

Oil revenues, which account for nearly all the kingdom's income, may reach \$40 billion this year. But government spending will probably be no more than \$25 billion, perhaps less in view of the government's program to reduce expenditures in an effort to hold down inflation.

According to Planning Minister Hisham Nazer, the country could cut its current oil production of about 10.3 million barrels a day in half and still have enough income to meet its obligations this year.

That may seem like an enviable position, but Mr. Nazer says that "to assume that Saudi Arabia is a rich country is a big fallacy."

Mr. Abu Khail said, "Actual

expenses are still less revenues. But we are talking about the day the two meet."

They said this is because they are beginning to come due vast capital projects previously ordered, the costs of imported technology and services are rising, and the country's ability to spend is expanding as a flow through new ports roads.

"The costs of development very high," Abu Khail said, "production is increasing but the absorptive capacity is going up even faster. We are at the point where we will have to dip into the surplus."

Polish Premier Reveals Some Prices Increase

WARSAW, May 30 (UPI)—Premier Piotr Jaroszewicz parliament today that prices some goods had to be raised to compensate for the frozen prices of basic foods.

Basic food prices have frozen since 1971. A government plan to raise prices of meat, butter and about 50 other sparked off rioting last June prompted authorities to raise the idea within 24 hours.

Mr. Jaroszewicz said that some goods had been raised now to compensate for production and import costs, deflated cars, chemicals, radios, pastries, some chess crystals and potteries.

Most of these increases not announced by the press. "The keeping of frozen prices for food made it necessary to shape the prices of some goods in a flexible way," the premier said.

Foreign Banks To Yield Control In Saudi Arabia

NICOSSIA, May 30 (AP)—Foreign banks operating in Arabia must cede a majority of the stock in their local branches to Saudi nationals within a government in Riyadh named today.

The decree, approved by Cabinet yesterday, affects a firm, Citibank, and nine other headquarters in the Middle East, elsewhere in the East and in Pakistan.

"We have known this coming for some time as the banks have begun a very early dialogue on the matter," a foreign banker in Jeddah said.

Two of the banks, the 1 Algerine Bank Nederland and the National Bank of Pakistan, already have a majority of stockholders, he reported. Saudi government's radio that a third, the French B de l'Indochine, won Cabinet approval yesterday for a similar ownership.

Saudi officials said last that negotiations have been completed for the government to take over the rest of the national Arabian-American Oil from four U.S. firms which now have held 40 percent of the ownership after originally owning all of Aramco.

Aleutian Quake Report

PALMER, Alaska, May 30 (AP)—An earthquake measuring 5.9 on the Richter scale occurred about 70 miles south of the town of Nikolski in the Aleutians today, scientists at Palmer Observatory reported.

Vietnam-Finland Talk

HELSINKI, May 30 (AP)—Vietnamese Premier Pham Dong opened official talks his hosts today on how Hanoi can help Vietnam toward recovery from the war.

They said that unit commanders—from battalion to division—were too heavily influenced by Soviet doctrine. "The Soviet commander," a source said, "see a tactical opportunity, it is and sit down and wait orders. The Israeli will report and, without waiting for exploit it."

HARRODS HAVE MORE FOR MEN

More suits and coats by top name international designers, skilfully tailored from the finest cloths in the world; more sweaters from famous knitwear houses; more shirts of outstanding quality; more ties—many to be found only at Harrods; more shoes. See more of everything in our magnificent selection—all under one roof in our Men's Shop, Ground Floor.

More from **CHESTER BARRIE** Lightweight luxury in suits and jackets, superbly cut from beautiful summer-weight cloths, including silk, mohair, wool and cashmere. Until 4th June a Chester Barrie representative will be available to advise on your selection.

Hairline tropical-weight wool worsted two-piece. Grey, or light blue, with subtle windowpane overcheck. 38" to 46" £150

Personal shoppers only.

Harrods
OF LONDON
Knightsbridge, London SW1X 7EX
01-730 1254

JAKARTA HILTON Situated in a lush, 32-acre garden setting, the hotel is just minutes from Jakarta city centre. Resort facilities comprise 426 rooms including 30 lanai suites for long-staying guests, Indonesian Bazaar, open air Balinese Theatre, Executive Club. A truly beautiful hotel.

HONG KONG HILTON Every year, thousands of guests enjoy the lively atmosphere, comfortable guest rooms and gracious service of the Hong Kong Hilton. On Hong Kong island, close to the harbour and with views of Victoria Peak, it is also close to all major businesses and banks.

KUALA LUMPUR HILTON The resort facilities of the splendid Kuala Lumpur Hilton are unequalled anywhere in Southern Asia. As well as a pool, gymnasium and sauna, there is a delightful new Chinese restaurant—the Inn of Happiness—a nightly Malaysian Cultural Show and a roof-top movie lounge presenting full-length films.

For reservations at these hotels, or at Singapore Hilton, Taipei Hilton, and Tokyo Hilton, contact your travel agent, any Hilton hotel or Hilton Reservation Service Office.

مكتبة في الحرم

U.S. Envoys Go Abroad

Reflected on Business Views

By Ann Crittenden

NEW YORK, May 30 (NYT).—James Chambers, the newly appointed ambassador to Beirut, left town last week from a day in New York. The publisher met here executives of four U.S. firms with interests in the area.

May Gandhi

Left Inquiry

ELHI, May 30 (AP).—Premier Indira Gandhi's arrest on theft and charges, has been anticipated.

announced today that a court judge issued a warrant for her arrest.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.

She is charged with the theft of a diamond necklace.



Parti Québécois members raising their voting cards on one of the more than 100 resolutions brought to the floor during their convention last weekend in Montreal.

To Gain Wider Support

Quebec Party Softens Independence Stand

By Henry Giniger

MONTREAL, May 30 (NYT).—Under strong pressure from the provincial government, Quebec's governing party moderated its program yesterday in an effort to attract domestic and international support for its goal of independence.

The removal from the program of the Parti Québécois of any reference to a withdrawal by an independent Quebec from the North Atlantic Treaty Organization or from North American defense arrangements was one of the most striking examples of the moderation shown in the first convention since the party assumed power in November.

When the three-day meeting opened Friday night, Premier René Lévesque warned the 1,500 delegates that the party could no longer act as it had in opposition and had to take account of "the limits and constraints" of power. It was apparent that

the government sought room to pursue policies that would attract as much support and frighten as few people as possible. When the convention ended last night, the most radical elements were in a minority.

'Radical Policy'

The party's previous opposition to defense links with the West in general and with the United States in particular had been cited by critics as an example of how dangerous a separate Quebec might become. In the new program, the party continues to back a "radical foreign policy" but talks only of a reassessment of Quebec's alliances.

Claude Morin, the province's minister of intergovernmental affairs, said that he had been constantly questioned on this point by officials outside the province and that the West Germans had shown particular concern.

Mr. Morin said that the dele-

gates had been content with setting general goals and with leaving the government free to decide how to achieve them.

The goal of independence was reaffirmed but the convention noted the government's promise to the electorate to hold a referendum before taking concrete steps to achieve political separation from the rest of Canada. References to immediate steps toward independence were replaced with the pledge that the government will "promote as much as possible the autonomy of Quebec for the period to be spent within the present political regime."

Language Views

In the same vein, resolutions that would have abolished English-language schooling in Quebec were defeated, and the delegates backed language legislation now under debate that would make French virtually the only language in Quebec but would allow a public English-language school system to continue.

The convention approved, however, a resolution demanding that the government take immediate steps to obtain approval of an "anti-sect" law. The government has shown no hurry in introducing legislation that would forbid the owners of a truck plant from hiring strike-breakers. Quebec industrialists had opposed such a law and the government has been trying to enlist their cooperation in increasing investment to relieve unemployment in the province.

Bangladesh Chief Apparent Victor In Poll on Rule

DAKKA, May 30 (Reuters).—President Ziaur Rahman of Bangladesh headed for an overwhelming victory tonight in a national referendum on his martial law rule and policies. Early results showed only 1 per cent of the vote going against him.

The election commission said the results so far were 44,129 in favor and 418 against.

A polling center in the southwestern district of Jessore voted 1,709 to 0 in favor of President Rahman's policies.

Returns from various parts of the country indicated a turnout far above the 58 per cent who voted in the 1973 general elections. Some polling stations reported turnouts of up to 90 per cent.

Although the results covered only a small percentage of the 38-million electorate, observers said that the trend was clear. It indicated a convincing victory for the 41-year-old general who has ruled Bangladesh since 1975. He took over as President only last month.

U.S., Soviet Envoys Meet

BERLIN, May 30 (UPI).—Walter Stoessel, the U.S. ambassador to West Germany, today called on Fyotr Brassinov, the Soviet ambassador to East Germany, in the latter's East Berlin residence.

NOBODY

IN EUROPE CAN BEAT OUR ROCK-BOTTOM TAX-FREE EXPORT PRICES!

MICHEL SWISS

ALL PERFUMES • COSMETICS

BAGS • SCARVES • TIES

FASHION ACCESSORIES

FLAWLESS MAIL ORDER DEPARTMENT

FREE SAMPLES

MICHEL SWISS

16 RUE DE LA PAIX PARIS

Phone: 261.71.71

Carter Expecting Signs Soon Of Improved Cuban Relations

ST. SIMONS ISLAND, Ga., May 30.—President Carter said today he expects "indications in the next few weeks" of improved relations between the United States and Cuba, but that they would stop "far short of recognition."

Chatting with newsmen in nearby Brunswick, where he saw his wife, Rosalynn, off on a seven-day Latin American tour, Mr. Carter said, "It would be better for this hemisphere if Cuba did have good relations with the nations here."

Saying that it is obvious that the United States wants better

Manifesto Read At Latin Meeting To Protect Envoy

GUATEMALA CITY, May 30 (AP).—The secretary of the Inter-American Development Bank read publicly a five-page manifesto today from the Guerrilla Army of the People in an effort to save the life of the kidnapped ambassador from El Salvador.

About 1,200 delegates attending the bank's annual meeting here listened in silence, some of them obviously shocked, as Jorge Heketa read the document as the first order of business.

The terrorist organization which abducted the ambassador, Col. Eduardo Casanova Sandoval, 58, promised to release him unharmed if the communiqué was read publicly and distributed to delegates and newsmen.

The communiqué denounced the Salvadoran government of Col. Arturo Armando Molina as fraudulent and repressive and said that the Guatemalan government of President Kjell Eugenio Laugerud was aiding Col. Molina.

It also called Col. Casanova, who was kidnapped here yesterday, a murderer who killed Salvadorans during his 10 years as chief of El Salvador's National Guard.

Pope Is Seen Set To Oust Lefebvre

GENEVA, May 30 (UPI).—Rebel Roman Catholic Bishop Marcel Lefebvre today marked the Pentecost weekend by holding a children's confirmation service in a move which could lead to his exclusion from the church by Pope Paul VI.

Church officials here, where the service was held in Exhibition Hall, said they believe that the Pope will act against Msgr. Lefebvre and his followers before the middle of next month.

They said that Pope Paul can be expected to serve notice of excommunication from the church—swinding the word excommunication—before Bishop Lefebvre ordains new priests at his traditionalist seminary in Ecône, Switzerland, on June 29.

9. Homesick.

(A good reason to call home.)

"An international call is the next best thing to being there."

ON SALE TODAY

To Guard Against World Crisis

U.S. Urged to Adopt Grain-Reserve System.

By Boyce Rensberger

NEW YORK, May 30 (NYT).—Although record harvests have erased fear of an imminent food crisis in most parts of the world, experts on the global food situation see early signs of another potentially disastrous period.

They fear that if steps are not taken soon to establish a U.S. food reserve system that can hold the enlarging surplus for a time of scarcity, the boom-and-bust cycles of recent decades may bring mankind back to the brink of widespread famine. A system in the United States is considered crucial because it is by far the leading exporter of grain. The current stockpile of wheat, enough to compensate for several major crop failures, and there is little prospect of famine in the next year or so. But food experts say that the surpluses are creating conditions with potentially adverse effects for the long run.

One is that the abundance of wheat has driven the price so low that there is less incentive for farmers to grow as much. The other is that farmers, faced with mounting storage costs, will be eager to export the surpluses at cheap prices to food-deficit countries. These countries may find it more expedient, politically and economically, to import cheap wheat and divert resources that would have helped to build domestic agricultural production.

"We've had this boom-and-bust cycle before and we can have it again," said Norman Borlaug, an authority in the field. "We're in the boom now and you can bet that, if something isn't done about it, we'll be facing a bust, just like we were back in '73-74."

Mr. Borlaug won the Nobel Peace Prize for developing high-yielding wheat strains.

Stability in Markets

Mr. Borlaug is the director of the wheat program at the International Maize and Wheat Improvement Center, an independent research organization with headquarters near Mexico City. He is one of those who urge that the United States establish a system in which grain would be kept off the market in times of surplus. With less grain available for sale, it is reasoned, the market price would not fall drastically. And farmers, assured of a reasonable price, would continue to grow wheat.

When crop failures pushed wheat prices beyond the means of food-importing countries, the



Norman Borlaug

reserve system would release its wheat.

"The time to establish a grain reserve is now, when we've got the grain," Mr. Borlaug said.

A similar note of urgency has been expressed by Dr. John Hannah, executive director of the World Food Council, the agency established by the United Nations during the World Food Congress of 1974.

"At the end of the current crop year," Dr. Hannah wrote in a

recent report, "the world is expected to have some 40 or 50 million tons of wheat over and above the current requirements. What happens to this wheat will have a greater impact upon world food security than any other single event within the power of the World Food Council to influence."

Dr. Hannah warned that, if farmers saw large wheat stocks as a threat to a fair market price and as a commodity too costly to store, they would tend to sell as quickly as possible and begin cutting production. The Carter administration has already said it is considering production curbs for next year.

Farm organizations, fearing a repetition of the period in the late 1960s when government-owned surpluses kept grain prices artificially low, have strongly opposed such plans.

A plan drawn up by the World, a citizens' organization formed at the height of the 1974 crisis, has been endorsed by Mr. Borlaug and other agricultural experts.

It would grant loans to farmers who put grain into the reserve. The government would pay the farmer's storage costs. When grain became scarce and prices rose too high, the government would stop paying the storage cost, encouraging farmers to sell. By selling at the higher price, a farmer could repay the loan and still make money.

"Without reserves," Mr. Borlaug said, "we will continue to have wildly escalating prices and we may find ourselves with large numbers of people starving as a result."

Sotheby Parke Bernet

London Zürich New York

ENTRIES

ZURICH NOVEMBER 1977 SALES

FINE JEWELS

Fine Silver - Gold Boxes - Fabergé



Art Déco diamond and emerald lapel watch

sold Zurich May 1977 for SF. 60,000

Entries for these sales should be submitted to Sotheby's experts N.C. Rayner and B. Ivon-Jones who will be visiting

Vienna 1st June - Munich 2nd June
Brussels 3rd June - Paris 8th, 9th and 10th June
Monte Carlo and Cannes 14th, 15th and 16th June
Geneva 20th, 21st and 22nd June

For appointments and further advice please contact:

Sotheby Parke Bernet GMBH

Odeonsplatz 16, 8 Munich 22, tel. (89) 222 375 - 222 376

Sotheby Parke Bernet (Brussels)

32 rue de l'Abbaye Brussels 1050, tel. (2) 343 50 07

Sotheby Parke Bernet (France)

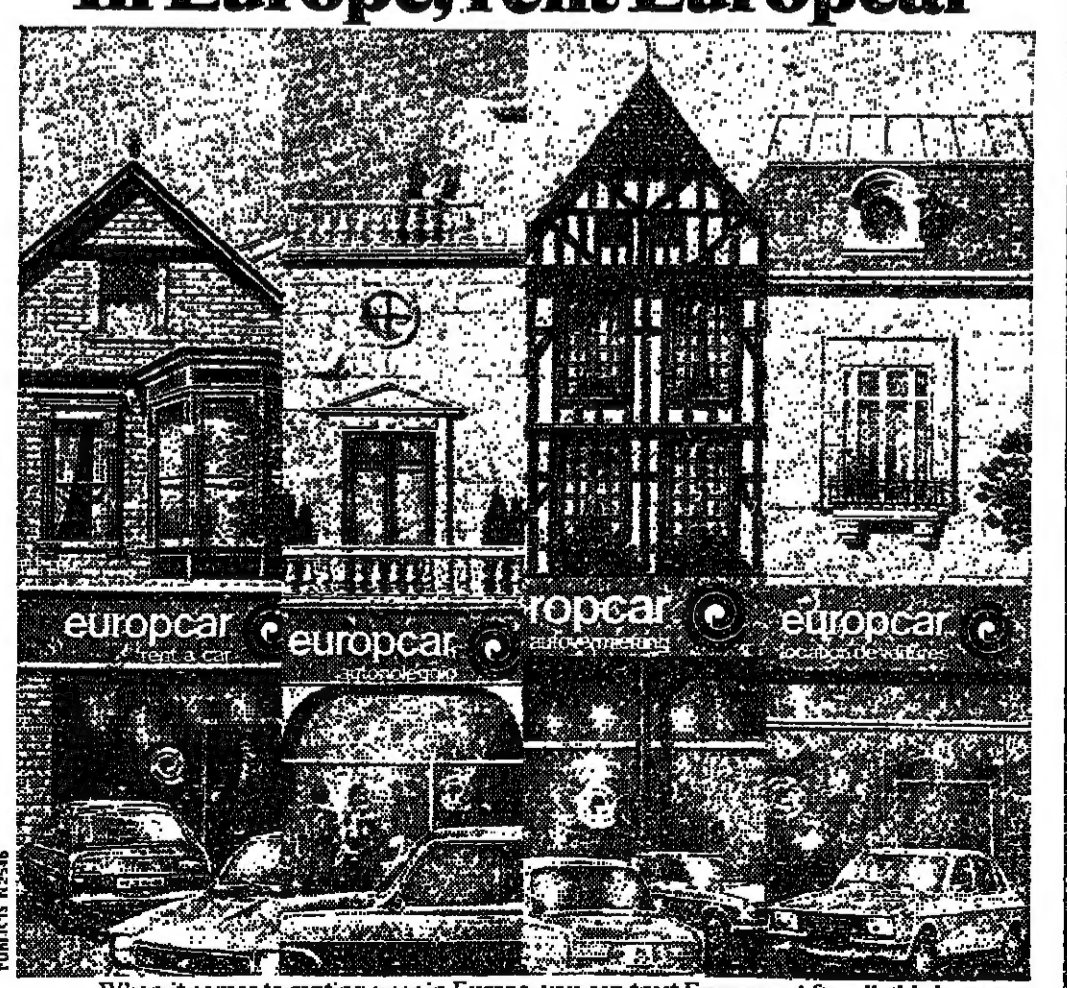
3 rue de Miromesnil 75008 Paris, tel. 266 40 60

Sotheby Parke Bernet (Monaco)

Sporting d'Hiver, Place du Casino - Monte Carlo, tel. 30 88 80

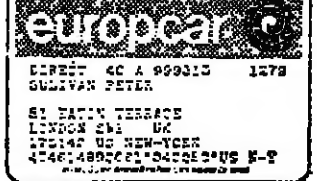
Sotheby Parke Bernet 20 Bleicherweg 8022 Zürich, tel. 25 00 11

In Europe, rent Europcar



When it comes to renting a car in Europe, you can trust Europcar. After all, this is our home ground. There are hundreds of Europcar rental stations all over the continent - including Britain - in Africa and the Middle East.

Of course, Europcar is as efficient as the other major car rental companies (actually, our Super Service credit card is the simplest and the quickest). Our models are just as new. But, in addition, you will find that both our cars and our customers are looked after with a kind of attention that is distinctively European. Small details? Maybe. But they helped Europcar become one of the largest systems in today's world of car rental.



In the U.S., Latin America and the Pacific, it's National Car Rental.



A New Massada?

Enachem Begin's victory: Why did it happen, What does it mean?

Crown Prince Fahd in the US The Aramco fire: who planted the bombs? Where Gemayyel: or 2 Lebanons?

VENTS

The Newsmagazine on the Middle East

in major bookstores, hotels and retailers:

RIE - LONDON - ROME - MILAN - ATHENS

scriptions: 67 Southampton Row,

London WC1B 4ET. Tel: 637 7361

ON SALE TODAY

"Advertising is the first common language of Europe".

A candid interview with Marcel Bleustein-Blanchet, creator of French commercial radio, founder and chairman of the \$400 million Publicis group, today, the leading network of European advertising agencies.



"When I started, I had one small client, and a Montmartre garret."

Small, even unlikely beginnings. 1926: nineteen-year-old Marcel Bleustein-Blanchet, the street-wise son of a Montmartre furniture dealer, rented two small rooms in north-central Paris and opened an advertising agency: Publicis.

A simple, yet for the times, revolutionary idea: Advertising should communicate information, in an honest and straightforward way, to help ordinary people live better.

Christmas, 1927: Bleustein-Blanchet's first ad featured silverware and time pieces for a neighborhood jewelry store.

Fascinated with communication, Marcel Bleustein-Blanchet turned next to radio — little more than an amusing curiosity in France during the 20s. Seizing upon a concept still in its infancy, Marcel Bleustein-Blanchet moved quickly to tap radio's potential as a means of popular communication and to pioneer its uses as a commercial medium.

By 1929 Publicis had become the exclusive advertising representative for 18 Government stations in France. French commercial radio was born.

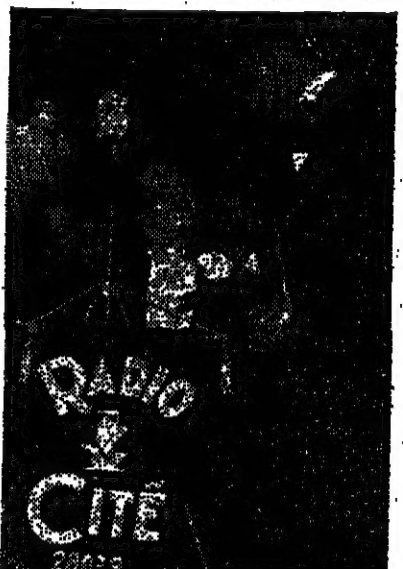
Five years later, when the French government banned advertising on their wavelengths, Marcel Bleustein-Blanchet bought an existing private station in Paris. At 7:30 a.m., on September 29th, 1935, Radio Cité went on the air.

Radio Cité introduced the first news broadcasts in France and went on to bring French listeners 6 a.m.

to-midnight broadcasting. Contests, commercial jingles, listener polls, talent hunts and on-the-spot reporting. Edith Piaf and Maurice Chevalier were first heard in French homes on Radio Cité.

By 1939 Publicis had diversified into motion picture distribution and was operating a chain of movie theaters in Paris.

Foundations were also laid for Régie-Press which, along with later additions to the group's media division, would make Publicis France's



"At 7:30 a.m. on September 29th, 1935, the first French commercial radio station went on the air."



"World War II changed everybody's life. I spent it flying in the 8th American Air Force."



"As a small boy I used to dream about having an office on the most glamorous street in the world. Champs Elysées."

leading media representative for print, radio, television, cinema, transport and outdoor advertising.

Then the outbreak of World War II. For Marcel Bleustein-Blanchet, escape underground through Spain to England. Enlistment in the Free Forces and bombing missions over Europe.

But for the founder of Publicis, a millionaire at 25, war had brought ruin at 40.

Yet starting from scratch Publicis achieved a spectacular renaissance in the first decade after the war, with Marcel Bleustein-Blanchet securing some of the agency's biggest international accounts, clients that remain with Publicis today.



"In 1972, fire destroyed the Publicis building completely."

1958: Another innovative departure. Le Drugstore. Inspired by the classic American corner drugstore, Marcel Bleustein-Blanchet improved on the concept by putting under one roof a pharmacy, newsstand and bookshop, restaurant, giftshop and movie theater.

Today there are four Publicis Drugstores in Paris. Fifteen thousand people a day shop at the Drugstore des Champs Elysées alone, making it the biggest money-maker per square foot of any store in Paris.

In September 1972, fire destroyed the crowning achievement of a lifetime's work: the Champs Elysées headquarters that the young Marcel Bleustein-Blanchet had vowed he would one day build on Paris' most glittering avenue.

Marcel Bleustein-Blanchet immediately began to rebuild Publicis — for the second time. Through the



"The new Publicis headquarters today; nothing is ever lost."

acquisition of two European agencies, Internarco in 1972 and Farner in 1973. What emerged was a truly international group, organized in its operations to treat every advertiser as a national client.

The Publicis group: an international network of independently

controlled local agencies.

European advertising in the service of national markets — Austria, Belgium, Denmark, Finland, France, Germany, Holland, Italy, Norway, Portugal, Spain, Sweden, Switzerland and the U.K.

Marcel Bleustein-Blanchet on the future of advertising in Europe.

Q: The "second rebirth of Publicis" is you have often called it, and especially the acquisition of Internarco and Farner, appear to have again taken Publicis in new directions. What is the philosophy behind the new group?

A: From a simple geographic point of view it was the perfect merger. By combining the Internarco system in north and southwestern Europe and Scandinavia, with the Farner agencies in central Europe, we had a single network to cover the whole continent.

"I went to America, the one place I knew I could learn what advertising really was."

But there is something that's much more fundamental. To an extent, I still believe in Europe's provincialism. Europe is built on many cultures, and people are national first, and Europeans second — if at all. In fact, I don't believe you can talk about "Europeans" in the same way you talk about "Americans". Within our group, each national agency stresses its nationality while still being able to draw on the resources of a European network. You have to be strong nationally to be successful internationally.

Q: How does this approach benefit the advertiser?

A: Many European advertisers need this kind of decentralized, locally administered network. In our experience, every client is a national client. We don't see Nestlé, for example, as one international client. Our agencies deal with clients on a national basis, solving local problems locally. This is the way Europe is structured and I believe it needs an agency

network that fits this structure. We have no "brand image": In Germany our image is German, in France, French. Decisions are not made in any one headquarters.

Q: Yet people still tend to talk about "Europe" as if it were a single market.

A: There are simply certain basic differences between the Latin and Anglo-Saxon cultures, just to take one broad example, certain incompatibilities that will never be resolved. But this is not to say that advertising generally speaking, doesn't have a certain pan-European role to play. Ten years ago I said that the first European language was advertising — to the extent that advertising talks to a great many different people, in essentially the same way, about the same products. And in providing the information necessary for a better life, I see advertising leading to the democratization

of well-being in Europe. Advertising as one means of productive dialogue, that's what we learned from America.

Q: What else have you learned from America?

"Communication is a kind of synthesis: to make others know that you exist, and in turn recognize their existence."



A: At age 18, without knowing a word of English, I left for America, the one place I knew I would learn what advertising really was. I was like a Moslem going to Mecca. What I learned was very simple: You can't have good advertising for a bad product. My admiration for the United States comes from two things: democracy in communication and respect for public opinion. I returned with one desire, to make advertising a respected, responsible profession, something more than shrill claims and slogans. My father was horrified when I told him "Advertising", he said, "That's like trying to sell the wind".

Q: For Publicis, communication through advertising has obviously been much more than that — and for more than 50 years. To what do you attribute your success?

A: I have never accepted an account for anything that could not be sold without a valid argument. The Big Claim, the shrill slogan is like selling the wind and this is not advertising.

Fifty years later, I'm still prepared to do something more, something new. Today that means preventing advertising from returning to the Big Claim. I see too many sharp young ad types today for whom advertising has nothing to do with the client but is simply a way of impressing each other with their own clever expressions and drum-beating. People are a lot less naive than they think. The public reacts, it needs something more; people think of things besides just living. Happiness, we've learned, is more than just comfort.

Listen to the environmentalists.

This is why advertising is needed: We are the best interpreters of public opinion. We must communicate today what will be essential to know tomorrow.

Q: This must require a certain sensitivity to youth?

A: I went into the streets in May 1968, to the Sorbonne at the time of the barricades. It was incredible: the posters, the fantastic genius, the talent! This dramatic generation in blue

jeans. I could understand their anxiety about tomorrow: 100,000 graduates without jobs. We're responsible for their future.

Q: Have you been able to use this youthful energy and talent?

A: One of the reasons that Publicis has always been a modern agency is that I've opened the door to any of our graduates, no matter what their field of study. In this way, Publicis has become a university for a whole generation of advertising professionals. They discover here a profession they like, serve their apprenticeship and move on.

Q: In addition to your respect for the public and the constant turnover of young talent, what are Publicis' other strengths?

A: We were the first group to use diversification to such an extent. Advertising agencies, media representatives, television stations, cinema, radio, the Drugstores — it's a group of ideas, all with one objective: Dialogue with the man in the street through every means possible. We need to use every possible skill and science and technique in order to better serve the public and to take the public seriously.

We introduced the use of public opinion polls and motivational research in France. It's instinctive with me: You've got to tell the truth and to do this you must have the best instruments.

Q: Advertising as a profession today faces a number of social and political challenges. How does the Publicis group intend to cope with these challenges?

A: Advertising certainly has its detractors. We're accused of being a pampered profession, of encouraging waste and complacency, even of being decadent. We must respond with a stricter professional ethic, one more adapted to the times; there must be a sharper awareness of the social responsibilities inherent in every message delivered by advertising. This means a deeper and more conscientious dialogue with the consumer. Members of the profession must

examine together the whole range of communication within society — the problems of the environment, of ecology, of relations with government — in order to define the best means of disseminating information.

"I still consider myself a young adman, who after 50 years in the business, loves it passionately."

What is critically important, however, is that advertising become healthy again. I think we've lost something as a profession. We must regain our simplicity. Our approach must be less complex. To do this we must be in closer contact with life — with people, with products, with advertisers. We've become fascinated with our own sophistication and in our fascination we've become moody. We must rediscover faith in ourselves, we must learn to smile. Advertising must grapple with life the way it is. Its mission is to sell good products well, to consumers that it does not regard as naive.

"Advertising is not a science, and will never be as long as it has to do with people and emotions."

What Price Virtue?

In the end, the only measure of a foreign policy lies in the claims it is allowed to make on domestic interest. Worthy goals do not begin at the water's edge; they usually cost something that society is or is not persuaded to pay.

War is the extreme example: free trade the almost daily test. Without a domestic price, a policy of wishing other nations well and holding them cooperate is so much piety.

These pieties of our own, if you will, are inspired by President Carter's commendable—and unexceptionable—outline of a "new American foreign policy" at Notre Dame last week.

With malice toward hardly anyone and charity for most, with the promise of open diplomacy instead of secret "deals" and "manipulation," without slogans like "containment" or "alliance for progress" and without "mordant" fear of Communism or "embrace of dictatorship," Carter proposes to promote human rights, collaborate with the Soviet Union and China, reach out to help the poorer nations and develop international institutions to face global problems.

Bland as they sound, these "cardinal principles" of the new administration are not without nettles: they can sting, depending on how they are grasped, as Carter discovered when he put it to the Russians on human rights earlier this year.

The citizen who supplies his own reality for the President's liberality with principle can easily work himself up to enthusiasm, or dismay. Combine his praise for Cardinal Kim of South Korea, for instance, with the verbal disengagement from "any dictator who joined us in our fear" of Communism, and it evokes the toughest threat yet to the repressive regime in Seoul.

Match the promise of help to poor nations with the demand that the Russians "join" in selfless giving and you can almost hear the proposal for a multibillion-dollar matching fund of American bounty, two dollars

for every ruble. Take the summons to the Western allies "together" to shape a more decent life for all and it is possible to hear the plea that American industry and labor forswear protectionism for a higher national purpose.

But the President did not make these connections, or any others. The trouble lies not in his promise that virtue will be its own reward but in his implication that it has no price.

In what was billed as a major address of self-definition, the President in fact said much but committed little. Now that tariffs and import quotas are gaining popularity, he defined a foreign policy without any real discussion of trade.

Sensing the resistance to yielding sovereignty over the Panama Canal, he omitted any definition of a desirable deal. Knowing that the drive for "majority rule" in southern Africa will conflict with American business operations there, he simply overlooked this tension in our priorities.

Recognizing that explosive plutonium will keep spreading unless the United States yields control over some of its own uranium, Carter gave no hint of this painful trade-off. Knowing that Communists are knocking at government doors in France and Italy, he offered no clue to how or whether his policies might head them off.

When security and humanity come into conflict, how do we strike the balance? When prosperity at home and development abroad seem at odds, how much sacrifice can we bear?

When détente with the Soviet Union undercuts collaboration with our allies, what policies must yield? It is not after all the problems of the world that changed with Carter's election, only some of the American answers. His diagnosis of our posture was splendid. His prescription for our conduct remains to be defined.

THE NEW YORK TIMES.

Risks of Korean Withdrawal

Gen. Singla apart, almost everyone in Washington agrees that it's safe to remove ground troops from South Korea, if we use our other forces and our supply pipeline and our diplomacy to keep the balance. What is only now heaving into general view, however, is the disagreeable fact that there may be a price to be paid—in human rights and possibly in nuclear proliferation as well.

No doubt the repressions of South Korean President Park have various causes. But one of them, surely, is his perceived need to batten down the domestic hatches at a time of gathering international uncertainty. For him, the uncertainty, and the battering down, have arisen from the Nixon, Ford and now the Carter decisions to reduce American military exposure on the Asian mainland. So it is that Mr. Park's political opponents seem even more alarmed than he by the planned troop withdrawals. They share their government's fear that North Korea may try to take advantage of the pullout. In addition, they fear that it will precipitate further domestic crackdowns.

Rational people here will tell the Koreans that by cracking down, they threaten future aid. Koreans will reply that the more the United States unlinks its own fate from the fate of Korea, the less will Seoul feel obliged

to heed Washington's advice on human rights.

The other day a Park aide suggested that Korea might develop its own nuclear bomb if Washington were to decide later to remove its tactical nuclear weapons as well as its troops. The Carter administration vigorously opposes the spread of nuclear arms, of course. Korean movement in that direction would further fray an American commitment already weakened by time and by South Korean repressions. But it is the United States that established the nuclear precedent in Korea and thereby whetted the Korean military's nuclear appetite. And it is the United States—by withdrawing its ground forces and thus removing the one element that would guarantee American involvement in a crisis—that is feeding Korea's feeling of being abandoned and thereby focusing Korea's thoughts on alternate means of self-reliance.

This is not to say that troop withdrawal is a bad idea. It is to say that unless it is managed with exquisite care, other major interests of the United States will be seriously jeopardized. The simple slogans of withdrawal are poor guides to the complexities of the situation on the ground.

THE WASHINGTON POST.

International Opinion

No Glory to Africa

There is no way in which Idi Amin's presence at the Commonwealth conference in London next week could bring glory to Africa.

Amin's defiance of the world at large may be a narcotic for his king-size ego, but it can't possibly enhance Africa's image in the eyes of the rest of the world.

If Amin does succeed in attending the Commonwealth conference, all other African leaders must walk out from the conference, because Amin has disgraced Africa.

A Bold Attempt

President Carter's speech made a bold attempt to outline the basis of a foreign policy which reflects both the American people's attachment to democracy and human rights and the changes that have taken place in the distribution of power and influence in the world. It is in action that Mr. Carter's policy will be tested. What will now be his attitude towards valued anti-Communist allies, such as South Korea or Iran, who are heavily supplied with American arms, but whose

human rights record is deplorable? And how will he deal with other Third World countries which lack democratic institutions? Above all, will the United States be prepared to put more hard cash behind its sympathy for the poorer countries, and to make the North-South dialogue meaningful rather than a mockery of the plight of the developing world?

—From the Observer (London).

White Amin Imagined

Imagine, if you can, a white Amin, one tenth as tyrannical—would the African and Asian members of the Commonwealth have agreed to attend any conference from which he was not formally and categorically excluded?

It is enough to ask the question to know the answer.

The Commonwealth, if it is anything, must strive to be a forum where racial equality is an ideal to be revered above all others. Yet it operates double standards that amount to color discrimination.

For as long as the bestial Amin regime endures, Uganda should be suspended from the Commonwealth.

—From the Daily Mail (London).

In the International Edition

Seventy-Five Years Ago

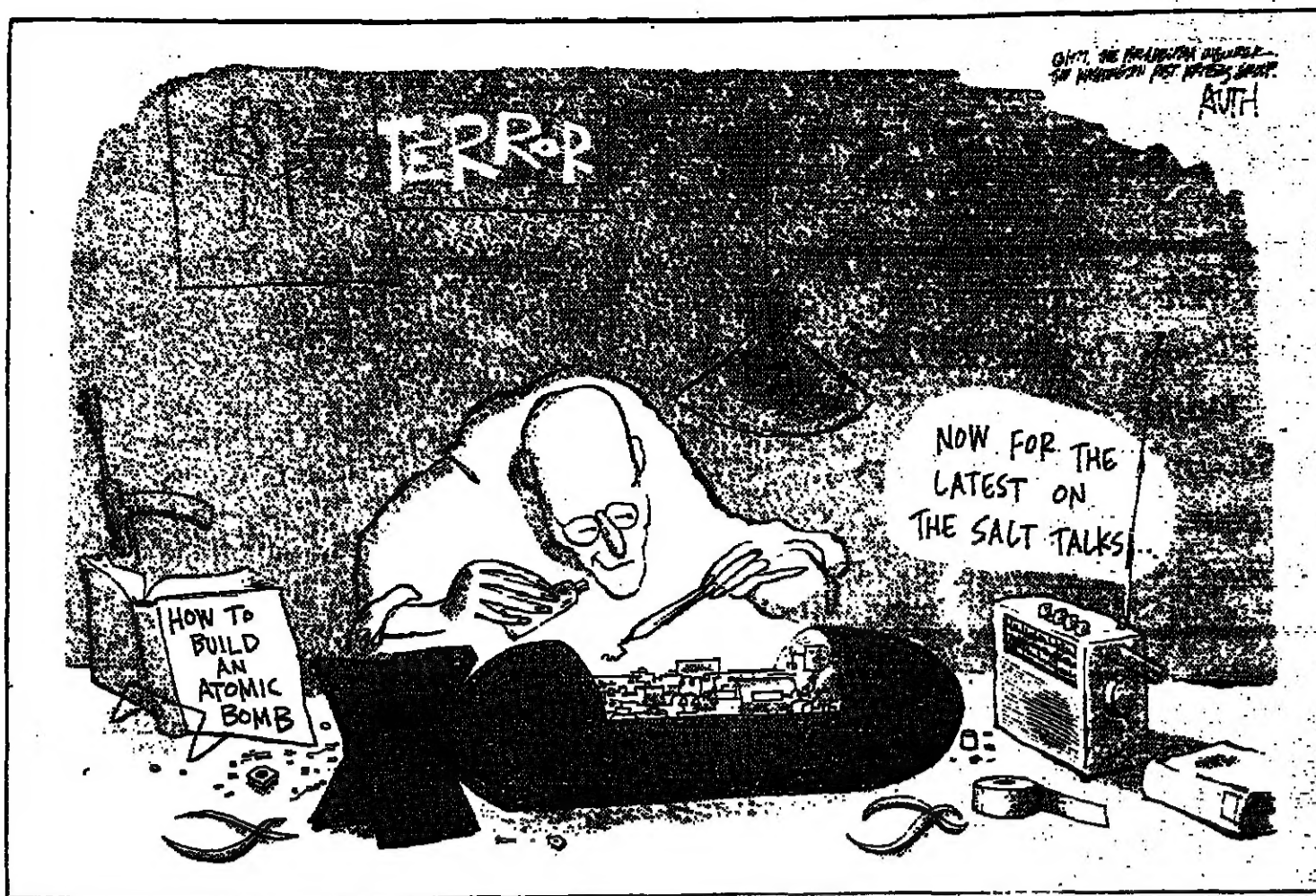
May 31, 1902

NEW YORK—According to reports credited in well-informed official circles in Washington, the President contemplates important changes in the representation of the United States abroad, which should come into effect in July. The Ambassadors in Berlin, Paris and Rome, and the Minister in Madrid, are likely to be replaced, and the Minister at Peking is likely to be retired.

Fifty Years Ago

May 31, 1927

CHICAGO—A mere man had the honor of opening the 3d annual Women's World Fair and Exposition recently showing more than 125 activities of women throughout the world in business, industry and the home. The man was Vice-President Charles G. Dawes. Each day of the fair will be given over to some particular activity in which women from all over the world have distinguished themselves.



Romania: 'Kiss the Hand You Cannot Bite'

By William Beecher

BUCHAREST.—Paul Goma, Romania's leading dissident, is out of jail. But he is not free. Goma, the most well known in the West of a relatively small number of political and religious dissidents here, was released from prison May 6, according to reliable diplomatic sources, after 34 days behind bars. There was no announcement either of the jailing or the release.

But sources said he and his wife and child have been moved to a different apartment having no phone. And he has been forcefully warned that any further move on his part to contact Western reporters, fellow dissidents, friendly Western embassies or Radio Free Europe will be dealt with sternly.

Under the State Secrecy Act it is illegal for any Romanian citizen to have unauthorized contact with Westerners. Heavy surveillance has been placed around Goma and some of his cohorts to insure their isolation from one another and from the West, sources said.

Quiet Side

In some respects Goma, a novelist who has trouble getting published at home, represents the quiet side of American diplomacy on behalf of human rights, just as Andrei Sakharov, the Soviet dissident, represents the noisy, public side.

Both wrote letters to President Carter appealing for his intervention to relax the repression against them and their fellow dissidents. Carter answered Sakharov's letter and triggered an angry debate with the Soviet Union. But so far as can be determined, Goma's letter has not been answered, nor have American officials spoken publicly in his behalf.

But just before his release, it is understood, a top State Department official called in the Romanian ambassador to the United States and, among other things, complained about the treatment of dissidents. It may well have been a coincidence, but one day later the Romanian government issued a sweeping amnesty decree, wiping out or reducing sentences against 1,950 convicted felons, and eliminating charges against 9,000 awaiting trial. Goma was one of the latter.

Romanian Way

Dissidence does not appear to be widespread in Romania, experienced diplomats said. "There is no tradition of fierce partisan fighters, as in Yugoslavia, there is no tradition of militant workers as in Poland. There is no tradition of hot-blooded intellectuals, as in Czechoslovakia," a diplomat noted. "There is an old proverb here: Kiss the hand you cannot bite. That is how the Romanians over the centuries have accommodated to a succession of invaders and despots."

Romania is regarded as one of the most repressive regimes in Eastern Europe. The conventional wisdom is that President Nicolae Ceausescu is able to get away with an independent foreign and economic policy by demonstrating to Moscow absolute Communist orthodoxy and domestic control. He may also feel that in trying to boost Romania into becoming a viable industrial society very rapidly, tight control is necessary to support the austerity, hard work and sacrifice that he calls upon the people to endure in quest of a better life.

Thus a man like Goma is unusual. He apparently decided to go public with his complaints after a group of Czechoslovak intellectuals published Charter 77, a human rights manifesto calling on their government to live up to its pledges in the 1975 Helsinki agreement, and after hearing reports of President Carter's speeches on behalf of human rights. Goma early this year wrote a letter supporting the Charter 77 effort and followed it up with his own version, calling on the Romanian government to live up to the guarantees of free expression in its own Constitution. He didn't get much attention in the West until the March

earthquake, which brought in hordes of Western newsmen. After writing their quake stories, they sought out this man, who freely passed them various statements he had written. This notoriety caused a problem.

For a while the regime tried to finesse the problem. It didn't want to create instant martyrs. Some dissident writers suddenly were told they would be published. Others were given passports and allowed to emigrate. Goma himself was called in twice for heart-to-heart talks with the Communist party secretary for ideology, but to no avail.

It was a time when the government was appealing for national unity, daily overtime work and an additional day of work one Sunday out of every four, to try to rebuild after the earthquake and the dissidents were, at such a moment, continuing to sow discontent. So in early April a significant number were jailed. There are three categories of dissidents here:

First, Goma and what is believed to be a relatively small number of highly principled intellectuals, who felt it was time to stand up and fight in an attempt to loosen the repressive

Second, an estimated two hundred or so persons who also

signed his statement, but who some observers believe were more interested in associating with his movement in order to get the right to emigrate, which is extremely difficult to do. Some of them succeeded.

Third, a significant number of dissident Baptists, by some estimates about 20 per cent of the 200,000 Baptists in Romania. They are unhappy about government efforts to prevent them from proselytizing and for discrimination in jobs and educational opportunities for their children, who are often denied necessary recommendations for college entry. They particularly expected help from their fellow Baptist in the White House.

Some Beaten

People in all three categories were jailed, some of them beaten up.

Goma, it is understood, was not physically abused.

An effort was made to persuade them to recant their support for human rights. All were threatened with retaliation if they continue their active dissidence after release.

Some have repudiated their signatures on Goma's statements, it is understood. Others are merely sullen, shaken, dispirited. It will be difficult for them to

try to re-establish their grapevine for passing information, given the increased surveillance. Whether they will speak publicly again, say about the time of the Helsinki conference next fall to review progress under the Helsinki agreement, is anybody's guess.

A walk down the sunny boulevards of Bucharest offers no hint of their presence. There are long lines at butcher shops whenever fresh meat comes in, but you don't hear the muttering over shortages as in Warsaw.

Every block in the downtown area has shops, kiosks and little rickety tables offering every variety of sweets, cookies, pastries, ice cream, crackers. And they are all busy, all day long. Indulgence to quick snacks seems a way of demonstrating that life is improving, and is full of pleasant surprises.

But very few people look directly at an American gunterling toward them. With some it is obvious that they look away, lest the stranger try to chat and bring trouble. But there are a number of brave souls who study the American from tip to toe and then, just before passing, flash him a very broad smile. It is a statement on their part, and under the circumstances, a lovely one.

'International Morality'

By David S. Broder

WASHINGTON.—In his classic study of American foreign policy, "In Defense of the National Interest," Hans J. Morgenthau wrote that "the illusion that a nation can escape, if it wants to, from power politics into a realm where action is guided by moral principles rather than by considerations of power is deeply rooted in the American mind."

That reminder is needed, now, when the leading voices of the new administration are joined in an effort to persuade domestic public opinion that we are emerging from the dark night of Henry Kissinger's diplomatic duplicity into the bright new day of Jimmy Carter's international morality.

A re-emphasis on moral principles as the root of international policy was both necessary and proper after the pervasive cynicism induced in the American public by the contorted rationalizations, successive presidents used to defend the foredoomed American intervention in Indochina.

Carter sensed that need, and the promise to give the nation a foreign policy "that can make us proud again" was a central element in his successful campaign for the presidency.

He has reiterated that intention as President, most recently in his commencement address at Notre Dame University, pledging "a new American foreign policy... based on a constant decency in its values and on optimism in its historical vision."

The first plank of that policy, Carter said, would be "America's commitment to human rights as a fundamental tenet of our foreign policy."

Carter's "human rights" foreign policy is the spiritual descendant of Woodrow Wilson's

crusade to "make the world safe for democracy" and Franklin D. Roosevelt's espousal of "the four freedoms."

To say that is neither to condemn it nor to praise it. It is simply to identify it with what Morgenthau correctly called the recurring American impulse to lift foreign policy beyond the crass constraints of power politics and onto the lofty plain of high moral principle.

Ruin or Redemption

But as the earlier examples of Wilson and Roosevelt remind us, a heavy dose of moralism can lead a president to either the ruin or the redemption of his realistic aspirations in the international arena.

The lesson has not been lost on Carter. In his Notre Dame speech he said, "I understand fully the limits of moral suasion." He rejected any suggestion that "we can conduct our foreign policy by rigid moral maxims."

Clearly, Secretary of State Vance understands both the importance and the inherent limitations of the moral element of foreign policy. His Law Day address on human rights, delivered at the University of Georgia a month ago, is an exceptionally balanced and careful exposition of the ways in which American principles can be applied to the variety of real-world situations.

Less reassuring, by far, was the interview that Carter's national security adviser, Zbigniew Brzezinski, gave U.S. News and World Report last week. It is full of sweeping generalizations about "stages of history" and "historical irrelevance," and is marked by a disdain for that which is merely "expedient."

If the tone of his memos to the President is like that of his public comments, one must fear that Brzezinski feeds—as much

as or more than Vance curbs—the sentimental and moralistic tendencies in Carter's own thinking.

The main concern at the moment, however, is not the battle for the President's mind, but the need to discipline our own thinking. To the extent that the heavy dose of moralism now being prescribed from Washington makes Americans "feel very good" about the country's foreign policy (to use Vice-President Mondale's phrase), we are likely to be lulled into forgetting that while moral principles can provide a base for our foreign policy, they are not, in themselves, a policy.

They become a policy only when they are applied to the practical problems of international affairs, as Vance outlined in his speech, in a manner that not only reflects the values of our country but protects its interests as well.

There is no inherent conflict between values and interests, but policy can be fatally flawed when either is ignored.

As a people, we are all too prone to grasp in admiration of a President's exposition of moral principles, and to fail to judge whether he has grasped the hard nitty of the problem.

Uncomfortable as it is to recall, it was not too long ago that we allowed Lyndon Johnson to justify the American intervention in Vietnam on the argument that we were bringing the concept of one-man/one-vote to the Mekong Delta.

History shows that the more our leaders talk of moral principle, the more important it is that we ask how the transaction will affect America's national interest.

Behind Kremlin's Shuffling

By Joseph Kra

MOSCOW.—A "deepening of democracy" was proposed by General Secretary Brezhnev when he presented draft of a new constitution springing from the party's Central Committee last week even as he spoke, events in that rule in the Kremlin snuck less of constitutions than of push and shove.

For besides approving the constitution "in a main plenum also decided to de-vetern Soviet leader, Fr. Nikolai Podgorny. That made in secret without a planation, came amidst a sarcimony that loosed a f-rumors about the Soviet ship.

Behind all this there anomalies imposed by politics on Soviet history, new leader has rewritten it of the past, magnifying achievements by undoing oging those of prede When Brezhnev reached it he too faced the task of a his place in history.

A new constitution offers obvious device. The last constitution, put through by Stalin, was famous contrast between rights in theory and arbitrar carried out in practice, was known through this thin as the "Stalin consti

Hard Push

The idea of a new, more constitution was first prop Nikita Khrushchev at a Party Congress in 1961. It picked it up Khrushchev and made it his own. He pushed hard, peatedly for a draft, and ed likely that one would faced at the 25th party e in February, 1975.

Certainly the innovation announced seem im enough. There will be k phasis on class struggle auonomy within the Soviet and on confrontation w world outside Russia, section on rights will feat socialist standbys as the i a job, a decent educat medical care.

But giving up such lo "dictatorship of the pro and "capitalist encirclement" merely drew bitter op from the ideological as led by Mikhail Suslov, a party secretary who a stand second to Brezhnev Soviet pecking order. Th sition delayed approval of constitution beyond the congress.

Brezhnev then set his al the 50th anniversary th the Bolshevik Revolution apparently won Suslov's of a draft quite recen

Backstage Troul

According to those pres cussion of the new consti the plenum was "business orderly." But backstage it trouble over a decision Podgorny as a member Froltshorn, a step that a shirking of his role as the Supreme Soviet, or leg and President.

It was the anonymous signaled the trouble: "Un similar announcement—that of Khrushchev's oust-one came without the usu fictions of health, age or ment.

Podgorny is 74 and h been known as a fig, unconnected with alth Brezhnev faction in the ship of the Suslov group, most certainly the reason shabby treatment is that fued to go quietly. But Brezhnev bother to drop a head? That question set agog with speculation ea, week, and yielded three theories.

One was that Brezhnev to be both general secret president. In that way w couple this real and the power and deepen futl claim to historic stature. A second theory wa Brezhnev wanted the job commodate or weaken ou "watchdog" factions under—perhaps Prime Minister Kosygin.

A third theory wa t wanted the presidential perhaps Kosygin's job prods whom he hoped k for the succession.

Whatever the truth, th no denying Brezhnev's supremacy. What is in d whether he can manage without, as Stalin and f cher did, setting in motio that outrun his control.

ie Puts in Paris Map

e Dorsey

CHIT.—FUNK:
punk.
ch and might,
left, are keeping
off, Régine, en-
dinaire and obli-
ve an anti-estab-
led "punk" party

card called for
zy accoutrements
ed what exactly
nk, which origi-
don streets, said:
u see what Zari-
noted British de-
she ripped up a
t them back to-
ty pins and polli-
Women's Wear.
al magazines and
2 also covered

atching up with
id international
ho is all business
was mainly in-
ing up New Jim-
al bottle on the
has been going
she opened her
d more elegant

he punk party,
ike a rag doll,
g, wilted straw
ed and ribbon
s that she show-
xerals by lifting
-style. The rest
including social
s than her usual
aders, followed

Chains
/as, squatry and
no managed a
all vest, fatigues,
age clear. Others
sleight black
ped by marabou
ous dripping
ns and liked-up
ies included
skiness, heart-
and safety-pin
e herself, armed
s (essential) to
waited for people
d anybody even
was immediately

was expunged
en's classic after
the illustrator,
wing the insect
the author, Sir

me brutal, but I
y that the wasp
t interest me in
that I can't see
ecture." A wasp
id, is "altogether
hances of art."

s were preserved
ter his death in
fated by a man
as "an unknown
y were auction-
Parke Bernet in
ity of the buyer
y established.

arked with the
s and his note
rial, were bought
or approximately
-book dealer for
lector, Norman
mour has just
y permitted to
ound copies and
ion.

tion, the Lewis
of Great Britain
y back the gal-
lish library, and
m of Mr. Armour
American Society
h of a year and
episode will be
book style with
and notes by
the author of
Alice."

stance to com-
mations has puzzled
Carroll in view
sion of "snap-
id parading op-
d for the book,
ustrator, a Punch
allow himself an
y such as giving
her face of Prime
cin Disraeli. Ed-
the chairman of
the society, at-
fusal to friction
her and artist,
get along so well,"
said. "Alice in
ade his fame, but
hucant to do the
er 'Looking-Glass'
er illustrating
again with Carroll
eccentric and too

Gardner, some
s who have seen
galley feel that



A punk "Marilyn" and friend at Régine's.

and mercilessly pinned up and down.

As for the buffet, laid out on a flowered plastic tablecloth, it was punky all right. Paté was served in chamberpots and a big sign reading "Ordures" (garbage) hung over the food. The walls and ceiling were hung with limp plastic gloves and gold refuse bags. Nauseating? Right. But that's punk.

A minor sensation was a girl who looked like the spitting image of Marilyn Monroe. Same bewildered eyes, same bewitching smile and same black-satin-draped seductive derrière. Asked if she was aware of it, she smiled modestly and said: "That's the idea."

Actually, she had just been cast in a film called "Doubles," and turned out to be an Australian model, fresh from Sydney.

Twisting Again
Régine opened the dance by doing the twist (the dance that made her famous in the '60s) with old-timer Philippe Junot. Some of Régine's guests were too old, too rich and too famous to be mixed up with all that.

The Mayrink-Vegas (they're from Brazil), whose bored looks

are famous in international salons, looked even more bored than usual. Clappy Badrutt, unflappable in impeccable white crêpe pajamas, was escorted by Count Giovanni Volpi, the only normally dressed man around, in tweed jacket and tie. Beno Graziani and Sabine de la Brosse (from Paris-Match) were there, on semi-professional duty. But that crowd promptly switched off and made for the door while hoards of punky and sub-punky people tried to crash in—with the police controlling the fights.

Régine was not the only one in Paris to catch up with punk. While she saw only the innocuous, sartorial side of it, Le Canard Enchaîné this week, in an article called "Hic and Funk," discusses the meaning of punk and even punkitude (which, they say, means rotten in American slang). After being told that people who hang around La Coupole are punk, Le Canard decided that those people have been punk for the last 30 years, and so what else is new.

Le Canard also said that this was a money-making gimmick (be it fashion or literary) and it is all due to the impending coming of, what else but the left.

Performed at Paris Hospital

A Radical Operation for the Deaf

By Betty Freudenheim

PARIS (UPI)—Helen Dionne, 16, looks perfectly capable of getting around Paris, like any other teen-age tourist, but she is handicapped. She is totally deaf and has been so since birth. "The blind street pity and consideration," her mother, Mrs. Edda Daveluy, said, "People always help them across the street or whenever they have problems, but nobody helps a deaf girl. She looks too normal. The deaf are often considered stupid and laughed at because of their speech. They are set apart, almost like lepers. The blind can participate in conversations, enjoy and play music, explain their problems. The blind can laugh at others' jokes; the deaf are cut off from all this."

Mrs. Daveluy and her daughter are in Paris, not as tourists, but to see Dr. Claude-Henri Chouard at the Hôpital St. Antoine. He performs a radical new operation that could enable Helen to "hear."

An article in their Montreal newspaper reprinted from Le Monde prompted them to come to Paris. It described the operation: Dr. Chouard implants eight electrodes in contact with the auditory nerves. These are connected to a receiver beneath the skin near the ear. With the aid of an antenna attached to eyeglasses and a box containing the transmitting device and batteries, the deaf can "hear."

"The sounds they will hear are not normal hearing," explained Dr. Chouard. "The difference is noticeable for those who have lost their hearing, especially for those who were music lovers. They can recognize tunes they heard as children, but they should not count on this instrument to restore remembered musical pleasures."

"If you think of normal hearing as being like listening to

each of the notes of a piano keyboard, what these people hear is the equivalent to hearing whole octaves being played one after another."

Dr. W.F. House, a U.S. doctor, has implanted a single electrode in his patients' ears. "This would be like playing the whole keyboard at once," Dr. Chouard said.

A tape recording of a sentence spoken normally and then repeated through the machine showed the difference: You can hear those familiar noises, but you just can't quite make out the words. "It is similar to learning a foreign language," the doctor said. Several months' training is necessary after the operation. For deaf mutes, voice control improves rapidly as they hear their own voices.

Dr. Chouard has performed the operation 34 times and has 20 more patients scheduled for the rest of this year. Before operating, the doctor has to ascertain that the nerves are intact. This is done by minor surgery under a local anesthetic. The eardrum is tilted back and the patient exposed to electrical acoustical vibrations. These give a sensation of sound if the nerves are healthy and nothing if they are dead.

Australia and China Start Zoo Exchange

PEKING, May 30 (Reuters).—Australia yesterday handed over a selection of its unique animal and birdlife to China as part of an exchange program between the Peking Zoo and Sydney's Taronga Park Zoo. Australian Ambassador Gary Woodward handed over a kangaroo, wallabies, wombats and a koala to the vice-director of the Peking Revolutionary Committee, Wong Hsiang-yu.

"Eighty per cent of the 200 patients I have tested have normal nerves," the doctor said. The rate was also high among those who contracted illnesses which brought on the handicap.

His youngest patient so far was 17, but he expects to operate on children of 10 and younger by next year.

"We can't help those who are under 5 because the box they would have to carry with them is too heavy (5 pounds)," he said. "But we hope to miniaturize them in the future." The box is carried like a shoulder-strap purse and the batteries removed and recharged each night. The boxes, which cost \$10,000, take three months to be made to order.

"For the moment, the appliance is not for sale to other doctors. I don't want to be blamed if they do something wrong," he said.

Dr. Chouard believes he is the only doctor in the world who has performed this operation. "I announced the first results at a convention of specialists in March in Buenos Aires. There were many Americans, Japanese and Europeans who were interested." He will begin giving courses to other specialists by the fall of next year.

Dr. Chouard, Mrs. Daveluy said, "gave us a special appointment at 7 a.m. because we had come all the way from Canada, but it seemed as though he had been working in the office since 6. I kissed him on both cheeks and told him that his work is not just the greatest miracle of the century, but since the world began."

"We now know that the nerves are all right, so it is up to Helen to make the decision about the operation. She is not so sure now, but if she does decide to go ahead somehow we will find the money and come back to Paris to make it possible," said Mrs. Daveluy.

REMEMBER WHEN BRUSSELS HAD EVERYTHING BUT A PETIT, NEW, GRAND-LUXE HOTEL?

Now, thanks to the petit, new, grand-luxe Hyatt Regency, Brussels has everything! From the impressive luxury of its 282 guest rooms and 42 suites, to the impeccable cuisine of Hugo's, the Hyatt Regency is the hotel of choice for visitors who want the best of Brussels.

HYATT REGENCY BRUSSELS



8. Your good news.

(A good reason to call home.)

An international call is the next best thing to being there.

From 'Through the Looking-Glass' Pressed Episode by Lewis Carroll

er Dunning

CHIT.—A sup-
ode from Lewis
gh the Looking-
n encounter with
en-haired wasp,
have been lost
ill be published
the Lewis Carroll
h America.

was expunged
en's classic after
the illustrator,
wing the insect
the author, Sir

me brutal, but I
y that the wasp
t interest me in
that I can't see
ecture." A wasp
id, is "altogether
hances of art."

s were preserved
ter his death in
fated by a man
as "an unknown
y were auction-
Parke Bernet in
ity of the buyer
y established.

arked with the
s and his note
rial, were bought
or approximately
-book dealer for
lector, Norman
mour has just
y permitted to
ound copies and
ion.

tion, the Lewis
of Great Britain
y back the gal-
lish library, and
m of Mr. Armour
American Society
h of a year and
episode will be
book style with
and notes by
the author of
Alice."

stance to com-
mations has puzzled
Carroll in view
sion of "snap-
id parading op-
d for the book,
ustrator, a Punch
allow himself an
y such as giving
her face of Prime
cin Disraeli. Ed-
the chairman of
the society, at-
fusal to friction
her and artist,
get along so well,"
said. "Alice in
ade his fame, but
hucant to do the
er 'Looking-Glass'
er illustrating
again with Carroll
eccentric and too

Gardner, some
s who have seen
galley feel that

the wasp episode is less inventive than the rest of the book. The chapter, which has been made available to The New York Times by Time magazine, has a particularly peevish ring to it.

Blond Wig
The wasp is feeble and querulous and admits to Alice that his life has been ruined by his tousled blond wig, which he covers with a yellow handkerchief. In his youth, he says, he had been advised to shave his ringlets and now he is mocked by all.

"And still, whenever I appear," he intones, "they hoot at me and call me 'pig!' And that is why they do it, dear, because I wear a yellow wig."

Their colloquy, as taken from the galley, continued: "I'm very sorry for you," Alice said heartily, "and I think if your wig fitted a little better, they wouldn't tease you quite so much."

"Your wig fits every well," the wasp murmured, looking at her with an expression of admiration. "It's the shape of your head as does it. Your jaws ain't well shaped, though—I should think you couldn't bite well!"

Alice began with a little scream of laughing (or laughter in a children's marginal afterthought), which she turned into a cough as well as she could. At last she managed to say gravely, "I can bite anything I want."

"Not with a mouth as small as that," the wasp persisted. "If you was a lightning, now—could

you get hold of the other one by the back of the neck?"

"I'm afraid not," said Alice. "Well, that's because your jaws are too short," the wasp went on. "But the top of your head is nice and round."

Author's Reputation
How much of this discovery will add to the author's reputation, apart from its historical value, is uncertain. Mr. Giuliano feels that the episode added a quality of humanity to Alice that is largely missing from the rest of the book.

"Carroll's reputation as a writer, logician and photographer has never been higher than it is today," he said. "And all his themes, his wordplay, all his ever done is in that episode. It has his thumbprint."

He dismissed the theory that the wasp was a self-portrait. "Carroll did always think of himself as an old man, even at 30," he said. "But he was a prim and proper Victorian who would never consciously think of himself as lower class, as the wasp is. There's a good possibility, though, that Carroll speaks unconsciously through the character of Alice."

The book, which is the second in a series of Lewis Carroll studies available free to members of the society, has been printed in a deluxe limited edition by the Angelica press in New York City. It will be available at \$10 in August through the Lewis Carroll Society of North America in Silver Spring, Md.

ON THE ARTS AGENDA

Monteverdi's "L'incoronazione di Poppea," with Carole Farley in the title part and Eric Tappay as Nero, has been given a new production by the Lyons Opera at the Auditorium Maurice Ravel, staged by Louis Erlo and with sets and costumes by Yannis Kokkos and Christine Marest. A final performance has been scheduled for May 31.

The 27th Toulon Music Festival, which is continuing to July 12, opened with the final rounds of an international trombone competition, and continues with a performance of "Swan Lake" by the Ballet du Rhin, concerts by the Orchestre de Lyon under Serge Baudo, the Netherlands Radio Orchestra under Jean Fournet, the Pro Arts Orchestra of Munich under Kurt Redel, the Lucerne Festival Orchestra with Philippe Entremont as conductor and piano soloist, Olivier Messiaen and Yvonne Loriod perform the composer's works on two pianos and Jacques Charpentier improvises on the organ accompanying

Dreyer's silent film "La Passion de Jeanne d'Arc," Festival de Toulon, Palais de la Bourne, Avenue Jean Moulin, 83000 Toulon, France.

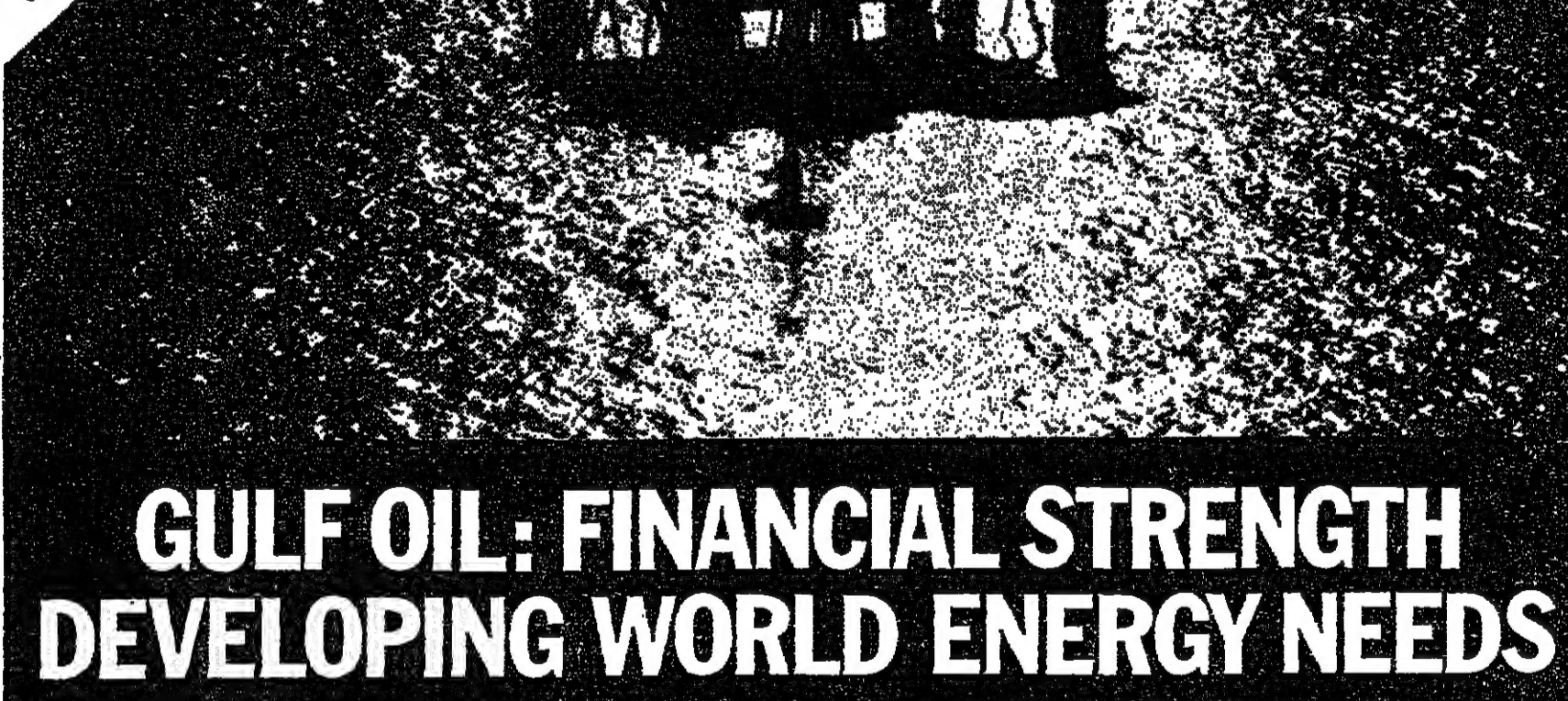
"Gardens in France (1780-1930)" is the title of an exhibition, organized by the Musée National des Monuments Historiques and running until Sept. 11 at the Hôtel de Sully in Paris. The two sections of the show are built around the historic, geographic and aesthetic sources of the gardens of the epoch, and the natural elements used in the gardens. Three examples are analyzed in depth—the Parc Monceau in Paris, the Désert de Retz at Chambourcy and the Garenne-Lamot at Clisson.

SALE OF HAUTE COUTURE MODELS WITH LABELS
Always from the latest collections. Tax free. Fantastic alterations. 122 Rue La Boétie (86), 2nd floor, Paris 16. Tel. 46-12-12. Closed on Saturdays.

AUTHORS WANTED BY N. Y. PUBLISHER

Leading book publisher seeks manuscripts of all types: fiction, non-fiction, poetry, scholarly and religious works, etc. New authors welcomed. Send for free booklet: R-3 VANTAGE Press, 516 W. 54 St., New York, N.Y. 10019, U.S.A.

From 31st May, Gulf Oil Corporation shares are listed on Swiss Stock Exchanges.



GULF OIL: FINANCIAL STRENGTH DEVELOPING WORLD ENERGY NEEDS

RECENT FINANCIAL HIGHLIGHTS

- Earnings of \$816 million, or \$4.19 per share, in 1976 were the second highest ever.
- Capital and exploration spending for the rest of the decade to exceed \$2,000 million a year, with up to 75 per cent devoted to the worldwide search for energy.
- Long-term portion of the Company's debt at its lowest point in nine years and only 14 per cent of total capitalization.
- Cash and marketable securities trebled since 1971 to nearly \$2,000 million at year-end, \$2,400 million at 31st March, 1977.
- Three increases in dividends since 1974, raising current annual dividend level to \$1.80 per share yielding Gulf shareholders one of the highest returns in the industry.
- First quarter 1977 saw first profitable quarter for minerals ever, although unusually cold weather and lagging chemical demand held total earnings below year-ago level.

PETROLEUM—EXPLORATION AND PRODUCTION United States

Progress was made during 1976 in arresting the decline in U.S. crude oil production. Natural gas production turned upward in the fourth quarter of 1976 and for the first three months of 1977 averaged three per cent higher than a year earlier. The Company looks to the rapid development of existing leases, particularly in the Gulf of Mexico, and to new on-shore discoveries in West Texas, in Louisiana and Rocky Mountain states, as well as enhanced recovery techniques. Total drilling and seismic work on-shore and off-shore in the U.S. represents more than nine per cent of all industry exploratory effort.

International

Gulf's most active area outside North America is in the North Sea, where the Thistle field will come on production later this year. By 1983, the Company expects that their share of North Sea production will be 70,000 barrels per day. Gulf has substantial natural gas discoveries in the Canadian Arctic and an active exploration program in 13 overseas countries which will involve expenditures of approximately \$140 million this year. The Company is one of the largest producers in West Africa.

PETROLEUM—REFINING AND MARKETING United States

Operations became a meaningful contributor to corporate profits in 1976. Operating philosophy emphasizes profits over volume, but Gulf maintained its share of the gasoline market at approximately eight per cent during 1976 in the 29-state area in which it competes.

Canadian Operations

Gulf Canada is Canada's second largest petroleum company and about 68.5 per cent of its common shares are held by Gulf.

International

Europe remains Gulf's most important overseas marketing area with more than 4,000 retail outlets in nine countries. Gasoline accounts for 20 per cent of Gulf's European product mix compared with 14 per cent for the industry as a whole. In Asia, Gulf has joint ventures in Korea, Japan and Taiwan.

Chemicals

Gulf's chemical operations earned \$148 million in 1976, representing 18 per cent of total corporate profits. Worldwide chemical sales passed the one thousand million dollar mark for the first time. A new olefins plant in Texas came on stream in February 1977 and increased annual ethylene capacity to just under three thousand million pounds. A new large polypropylene plant

and a high-density polyethylene plant, both in Texas, are expected to become operational in 1978.

Minerals

Gulf is a significant coal producer in the U.S. and will be one of that nation's largest uranium suppliers. Full production from their Rabbit Lake uranium mine in Canada was achieved last year.

1976 FINANCIAL HIGHLIGHTS

	MILLIONS OF DOLLARS		% INCREASE (Decrease)
	1976	1975	
Total Revenues	18,403	16,042	15
Net Income	816	700	17
Capital and Exploration Expenditures	1,742	1,546	13
Total Assets	13,449	12,425	8
Cash and Marketable Securities	1,989	1,837	8
Long-Term Debt	1,168	1,294	(10)
Return on:			
Average Shareholders' Equity	12.2%	11.2%	9
Average Employed Capital	10.4%	9.8%	8

PER-SHARE DATA

	1976	1975	% INCREASE (Decrease)
Net Income	\$4.19	\$3.80	10
Cash Dividends	1.73	1.70	2
Shareholders' Equity	35.62	33.17	7

For a copy of the Gulf Oil Corporation 1976 Annual Report, write to Public Affairs Department, Gulf Oil Corporation, Eastern Hemisphere, Gulf House, 2 Portman Square, London W1H 0AN, England.



Eurocurrency Interest Rates				
	Dollar	German Mark	Swiss Franc	Sterling
3 months	4.75	4.75	4.75	4.75
6 months	4.75	4.75	4.75	4.75
12 months	4.75	4.75	4.75	4.75

International Stock Indexes

	Index	Prev.	High	Low
Amsterdam	1,400.00	1,395.00	1,405.00	1,390.00
Frankfurt	1,400.00	1,395.00	1,405.00	1,390.00
London	1,400.00	1,395.00	1,405.00	1,390.00
Paris	1,400.00	1,395.00	1,405.00	1,390.00
Stockholm	1,400.00	1,395.00	1,405.00	1,390.00
Tokyo	1,400.00	1,395.00	1,405.00	1,390.00
Zurich	1,400.00	1,395.00	1,405.00	1,390.00

Invest in the U.S.A.

FINANCIAL SAFETY AND HIGH INTEREST IN THE U.S.A.

We welcome deposits of \$100,000 or more. Interest will be paid at annual rate of 6% or higher. (Exact rate to be negotiated, based on amount and length of deposit.)

We are the largest federally chartered savings association in the U.S.A., with over \$1 billion in assets and depositors from 104 countries. Established 1925. 74 offices throughout California. Special attention to foreign accounts. Send coupon today for further information.

Head Office: 1000 Wilshire Blvd., Los Angeles, Calif. 90017, U.S.A. I wish to invest (amount): Please send interest rate and complete details.

Name: _____ Address: _____

London Metals Market

	Today	Previous
Copper wire bars	245.00	245.00
3 months	245.00	245.00
6 months	245.00	245.00
12 months	245.00	245.00
Lead	245.00	245.00
3 months	245.00	245.00
6 months	245.00	245.00
12 months	245.00	245.00
Zinc	245.00	245.00
3 months	245.00	245.00
6 months	245.00	245.00
12 months	245.00	245.00

Tokyo Exchange

	Price	Yen
Aluminum	1,400.00	1,395.00
Iron	1,400.00	1,395.00
Steel	1,400.00	1,395.00
Coal	1,400.00	1,395.00
Oil	1,400.00	1,395.00
Gas	1,400.00	1,395.00
Electricity	1,400.00	1,395.00
Transport	1,400.00	1,395.00
Telecom	1,400.00	1,395.00
Finance	1,400.00	1,395.00

European Gold Markets

	May 30, 1977
London	1,400.00
Paris	1,400.00
Zurich	1,400.00

London Commodities

	High	Low	Close	Previous
SUGAR	12.50	12.50	12.50	12.50
COFFEE	12.50	12.50	12.50	12.50
TEA	12.50	12.50	12.50	12.50
COCOA	12.50	12.50	12.50	12.50

Belgian Price Index

	May 30, 1977
Index	1,400.00

Options Market Plans Stock Trade

By Leonard Sloane

NEW YORK, May 30 (NYT).—The Chicago Board Options Exchange has announced plans to begin trading options in addition to its present options trading program.

Its entry into the crowded field of exchanges across the country trading securities comes at a time when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

Options Market Plans Stock Trade

By Leonard Sloane

NEW YORK, May 30 (NYT).—The Chicago Board Options Exchange has announced plans to begin trading options in addition to its present options trading program.

Its entry into the crowded field of exchanges across the country trading securities comes at a time when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

Options Market Plans Stock Trade

By Leonard Sloane

NEW YORK, May 30 (NYT).—The Chicago Board Options Exchange has announced plans to begin trading options in addition to its present options trading program.

Its entry into the crowded field of exchanges across the country trading securities comes at a time when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

Options Market Plans Stock Trade

By Leonard Sloane

NEW YORK, May 30 (NYT).—The Chicago Board Options Exchange has announced plans to begin trading options in addition to its present options trading program.

Its entry into the crowded field of exchanges across the country trading securities comes at a time when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

The CBOE plan—which has not set a target date for commencement and does not include the final cost figures—will be filed this week with the Securities and Exchange Commission for approval. The SEC has taken no action yet on the Big Board's proposed options market but has

when the proposed national market system appears stalled by bickering among the different market centers. Thus the Chicago exchange, like others, is moving to carve out as broad a trading base as possible to insure its position as an independent entity.

In a statement announcing that its board of directors had approved all rule changes and operational preparations for one-stop execution of related stock and option orders, the CBOE said that it "must be prepared to meet the competition in whatever forms it may take."

The directors particularly noted a proposal by the New York Stock Exchange to begin trading options and the decision by the National Association of Securities Dealers to start trading call options on over-the-counter stocks through its NASDAQ automated quotation system.

Conservative Versus Liberal Views

Carter, Congress Clash Seen Over Next Chairman of Fed

By Leonard Silk

NEW YORK, May 30 (NYT).—Who will be the next chairman of the Federal Reserve Board? The question once would have seemed important only to the more sophisticated members of the financial community. But a recent nationwide survey by U.S. News and World Report showed that Arthur Burns, chairman of the Fed, is considered the nation's second most powerful decision maker—second only to President Carter.

Mr. Burns' four-year term as chairman runs out next January, and House Speaker Thomas O'Neill Jr., D-Ill., stirred up some short-lived excitement last week when he told a group of New York Times reporters and editors at breakfast that Mr. Carter had decided to reappoint Mr. Burns.

Although the White House promptly denied the President had expressed any such inclination, "one way or the other, to anyone"—and Rep. O'Neill did not try to refute the denial—it seems clear that the speaker was up to something.

That something was a warning by congressional Democratic leaders to Mr. Carter to think again, if he has any intention to reappoint Mr. Burns, a conservative Republican first named to the Fed chairmanship by President Richard Nixon in 1970.

The coming Fed chairmanship appointment is thus entangled in the evolving struggle between a relatively conservative president and a liberal Democratic Congress.

The administration's economic policy is uneasy about the Fed's upward pressure on interest rates and its determination to slow the growth of the money supply to a rate they believe will not permit adequate economic growth.

The liberal economists argue that, because of climbing energy, food and other raw material prices, as well as rates of wage settlements far in excess of productivity gains, the basic rate of inflation is running 6 per cent or more. In fact, the price indexes have recently been running 3 or 4 points higher than that.

In choking back monetary growth, to hit an annual target rate of 4 1/2 to 5 1/2 per cent, these critics contend, the Fed will not halt the built-in inflation but will only arrest the recovery and risk a credit and interest-rate crunch.

The Fed is hit from the opposite side by conservatives for permitting the money supply to grow too fast. The Fed is trying to adjust the growth of the money supply, in Mr. Burns' words, "gradually but persistently downward"—but "without deflating the economy from its present path of recovery."

After having alarmed the stock market by pushing the federal funds rate up a notch to 5 1/2 per cent, the Fed appeared to be backing off when it supplied enough reserves to put the funds rate back down to a range of 5 3/8 to 5 1/4 per cent last week.

It is on this central issue of monetary growth and interest-rate policy that Mr. Carter will doubtless base his final decision whether to ask Mr. Burns to continue to serve as Fed chairman.

AT&T had contended suit raised issues vital to those in a fight against the concern's two decades ago.

AT&T had asked the Court to rule swiftly courts had no jurisdiction Justice Department saying again that the is matters for regulation authorities of state go and the Federal Comm Commission. The at argued that regulation and federal authorities immune to anti-trust c

The Supreme Court Jan. 26 to schedule a session, forcing AT&T to timing hearings in 1 courts.

AT&T, which owns 23 companies comp Bell Telephone System as Western Electric Co. tended that the route the courts, facing Justice ment charges, could t than \$1 billion and ta as 10 years.

The suit calls on the to divest itself of West trict Co. and to relinq a number of the 23 rep phone companies or th its long distance teleph ness.

AT&T, which owns 23 companies comp Bell Telephone System as Western Electric Co. tended that the route the courts, facing Justice ment charges, could t than \$1 billion and ta as 10 years.

Japan Shipbuilders y Their Profits Soar

May 30 (AP-DJ).—
ma-Harima Heavy In-
Co. and Hitachi Ship-
Engineering Co. today
higher net profits in the
d March 31, as Mitsui
ng & Engineering Co.
th largest shipbuilder
showed a 33.8 per cent
net.

ma-Harima Heavy
(IHI) net profit rose
to 11,734 billion yen
from 8,495 billion yen
in 1976, a 33.8 per cent
increase. Sales rose to
114.4 billion yen from
103.1 billion yen in 1976.
Sales rose to 45 per
cent earlier, but orders
hips and the backlog
fell.

rose to 365.3 billion yen
from 329.2 billion yen
in 1976, a 10.3 per cent
increase. Sales rose to
329.2 billion yen from
299.2 billion yen in 1976.
Sales rose to 37 per
cent earlier, but orders
hips and the backlog
fell.

shipbuilding net profit
rose to 5,334 billion yen
from 4,000 billion yen in
1976, a 32.3 per cent
increase. Sales rose to
5,334 billion yen from
4,000 billion yen in 1976.
Sales rose to 37 per
cent earlier, but orders
hips and the backlog
fell.

counted for 56.9 per
cent of sales from 42
billion yen a year
earlier, up from 197
billion yen, or 73.8 per
cent, versus 140.9
a year earlier.

shipbuilding & Engi-
neering a 33.8 per cent
March 31 year net
51 billion yen from
n yen a year earlier.
the year fell 2.4 per
51 billion yen versus
on yen.

at Mitsui said the net
in the year was due
ordinary rise in fiscal
the company return-
tion yen in reserves
while drawing down
million yen this year.

because of a delay
million yen petrochemi-
caler from Mitsui Petro-
chemical, they said.
rose 18 per cent in
172.4 billion yen, but

FINANCIAL NEWS AND NOTES

Olivetti Sales Rose

Olivetti parent company sales rose 29.6 per cent in the first four months of this year and group sales rose 27.4 per cent, says chairman Bruno Visentini. Although he gave no other figures, a company spokesman noted sales in the second half of the year are traditionally the most significant indicator for company profits. Mr. Visentini told a shareholders' meeting that the company may find it necessary to raise its capital from the present 60 billion lire (about \$88 million) in the future to assist development, but acknowledged this would be difficult in the present state of the market. He said group debt rose 209 billion lire in 1976 to 791 billion, mainly due to the increase in the lire value of dollar debt. Average interest charges rose to 13 per cent from 12.3 per cent, giving a total cost on interest payments of 107 billion lire. Total debt was 35.4 per cent in lire borrowings, 33.5 per cent in dollars, 18.2 per cent in European currencies, 8 per cent in Latin American currencies and 4.9 per cent in other currencies.

Pizza Hut, PepsiCo Discuss Merger

Pizza Hut Inc., the largest U.S. pizza restaurant chain, and PepsiCo have begun merger talks that may lead to a \$1.5 billion acquisition by PepsiCo through an exchange of stock. The companies emphasize that an agreement in principle has not been reached, and there was no assurance

that an agreement would be reached. For the year ended March 31, Pizza Hut's net income rose about 33 per cent to \$21.6 million, or \$2.67 a share, on sales of \$281 million, from \$16.3 million, or \$2.10 a share, on sales of \$244.8 million a year earlier. A purchase by PepsiCo would be the latest purchase of a prosperous fast food chain by a giant food company. Pillsbury, for example, owns Steak 'n' Ale Restaurants of America and Burger King Corp. Heublein owns Kentucky Fried Chicken. General Foods owns Burger Chef Systems. Other large companies have said they are interested in a fast-food chain as an investment.

Chrysler Has No Need for U.K. Aid

Chrysler (U.K.) Ltd. has no need to seek further funds from the U.K. government to back its business despite shortfalls in first-quarter sales and production. A company spokesman says Chrysler still expects to be operating profitably by the fourth quarter against the previously reported first-quarter loss of \$2.2 million. Chrysler says the loss resulted from sales in the first three months being 35 per cent below target, mainly because of shortages of new cars from its Lincoln plant in Scotland. The first-quarter losses have put the company back three or four months from its intention, stated in the planning agreement drawn up with the U.K. government, to achieve a profit of \$300,000 for the full year.

Prior to Merger With C. Itoh

Ataka Has Biggest Loss in Japan History

TOKYO, May 30 (AP-DJ).—
Ataka & Co., in its last annual
statement before merging with
C. Itoh & Co. this autumn, has
reported the largest net loss in
Japanese corporate history.

In the year ended March 31,
the trading house posted a net
loss of 133,991 billion yen (\$490
million) versus a net loss of 591
billion yen the previous year.
Revenues for the year fell to 1.69
trillion yen from 1.999 trillion
yen.

C. Itoh & Co. and Ataka are
scheduled to sign a formal agree-
ment for amalgamation by the
end of this month.

Today C. Itoh and another
major trading house posted a
5.4-billion-yen net profit in the
year ended March 31, following a
net loss of 5.8 billion yen the
prior year.

Sales rose to 5.333 trillion yen
from 5.631 trillion yen.
Under the close supervision of
its major bank, Sumitomo Bank
Ltd., Ataka has bled off, or will
do so, many of its major divi-

sions, including textiles, paper-
pulp and lumber, and has sold
off much of its assets to help
cover an originally estimated 1
trillion yen in liabilities to banks
and customers.

Sumitomo Bank alone will write
off in the September half year
accounting period about 100 bil-
lion yen in Ataka's bad debts.
Kyowa Bank Ltd. will absorb
another 50 billion yen of the es-
timated 190 to 230 billion yen in
losses distributed among a group
of 16 Japanese banks.

Bank of Tokyo Ltd. in the early
1960s held the previous record
write off—only about one-fourth
the size of Sumitomo's—for Kan-
sai-Matsushita Ltd. (Kansaiatsu),
another major trading house, is
receiving some credit relief again
from its banks, but officials at
Bank of Tokyo said the situation
is not very serious.

"There isn't any problem at
Sumitomo Bank," Ryosuke Ibe,
the president, said. "We have
about 300 billion yen in assets at
our disposal, and still are the

'Put' Options Trade Starts Friday

By Vartan G. Vartan

NEW YORK, May 30 (NYT).—
A new game is coming to the
market on Friday, and for stock
traders and investors the age old
battle of wits for profit promises
to be never quite the same again.

Trading will begin in "put"
options for 25 big-name stocks
on five exchanges across the
country.

As the mirror image of a call
option, the put option gives its
owner the right to sell 100 shares
of an underlying stock at a
specified price, known as the
exercise or striking price, any
time before the option expires.

Although put options will
eventually permit many types of
strategies, much of their initial
appeal will center on speculative
opportunities to make money in a
plumming market.

"Essentially, puts offer a way
of shorting the market, but that's
a tough concept for the average
investor, who typically thinks in
terms of bigger and better as the
American way," explained
Berton Godnick, head of options
trading at Ernst & Co. "But
puts are a cheap way—and a
limited-risk way—of shorting
stocks."

In a short sale, a person sells
borrowed stock in the hope of
buying it back later—a process
known as "covering"—at a lower
price and thus realizing a profit
on the difference between the
sale and purchase prices. Con-
ceptually, the idea of selling
something they do not own is
hard for many investors to grasp.

In the case of put options, how-
ever, the buyer owns an actual
contract.

Not that put options are free
of risk. Far from it. They are
not for widows and orphans, or
probably for most other investors.

Puts require study, steady nerves
and constant vigilance by their
owners. Commission costs are
heavy—the broker is the only sure
winner—and tax considerations
are important. Furthermore, if
a put expires worthless, the owner
loses his entire stake.

But for the far-sighted and
fortunate, put options can turn
into a good speculation. Con-
sider this example provided by
the Chicago Board Options Ex-
change:

"Assume that on July 1 the
common stock of manufacturing
company MFG is selling at \$50
a share. An investor expecting
a decline in the stock price de-
cides to purchase an MFG-Jan.
50 put option for \$5 a share—in
all \$500 for a 100-share put. As-
sume that by Nov. 1 the price
of the stock has declined to \$42
a share. The right to sell the
stock at \$50 has become more
valuable, and the put is bid to
say, \$8 a share. The 100-share
put bought at \$500 can thus be

sold for \$800—resulting in a \$400
gain, less commissions."

In the above example, Jan
refers to January, when the op-
tion expires, and 50 is the strik-
ing price.

The \$400 gain on a \$500 in-
vestment represents an 80-per-
cent rate of return (less com-
missions, of course), and it il-
lustrates the leverage a trader
can achieve by purchasing puts.

If that same investor had
decided instead to sell short 100
shares of MFG at \$50 a share,
it would require a margin
deposit of 50 per cent, or \$2,500.
Thus, the \$800 gain realized when
the short sale was covered at \$42
would have represented only a
32-per-cent return on invest-
ment.

No matter how sharply the
price of MFG might rise, which
would reduce the value of the
put option, the buyer cannot lose
more than the \$500 paid for the
put—in contrast to the unlimited
risk inherent in selling short.
Moreover, the put buyer does
not expose himself to the pos-
sibility of margin calls or liability

U.S. Tool Orders Fall 4.8 Per Cent

WASHINGTON, May 30 (Reu-
ters).—U.S. machine tool orders
fell 4.8 per cent in April to \$250.2
million from \$262.75 million in
March, the National Machine
Tool Builders' Association re-
ported over the weekend.

However, orders in April were
64 per cent above the level in
April last year.

Domestic orders fell 1 per cent
to \$237.6 million in April from
March and foreign orders fell
4.7 per cent to \$112.6 million.

Shipments fell 4.8 per cent in
April to \$174.7 million. The in-
dustry backlog now stands at
\$1.68 billion, an increase of 5 per
cent over March.

Bulgaria Seeks Euroloan

LONDON, May 30 (Reuters).—
The Foreign Trade Bank of Bul-
garia is raising a \$100-million,
six-year Euroloan credit with
an interest margin of 1 1/4 per
cent over London interbank of-
fered rates, informed sources
reported.

for payment of dividends, as does
the short seller.
The 25 stocks involved and the
exchanges on which their put
options may be traded are:

NYSE: Avon Products, East-
man Kodak, General Motors,
Kearney and Terry, IBM.
AMEX: Aetna Life & Casualty,
ASA Ltd., Mesa Petroleum,
Reserve Oil & Gas and West-
inghouse Electric.
Midwest: Corning Glass Works,
Northwest Industries, Revlon,
Hughes Tool and Carrier Corp.
Philadelphia: Allis-Chalmers,
América Hess, Continental Oil,
Inesco Oil and Petroleum.
Pacific: American Broadcast-
ing Cos., Heublein, Leri Strauss,
Santa Fe International and
Schering-Plough.

Tokyo to Let Aliens Raise Larger Loans

TOKYO, May 30 (Reuters).—
The Finance Ministry said today
it will allow foreign borrowers to
raise larger loans in the capital
market here following an im-
provement in the nation's balance
of payments.

Ministry officials said Banque
Française du Commerce Exterieur
will be allowed to float a 30-bil-
lion-yen (about \$72 million) bond
next month—if the French Bank
wants a loan of that size.

Previously the ministry re-
stricted bonds by foreign issuers
to between 10 billion and 12 bil-
lion yen, except for international
financial institutions, which were
allowed larger issues, they said.

ARGENTINE REPUBLIC

EXTERNAL U.S. BONDS

THE WESTON GROUP

makes a market
in all series

Enquiries to:
8892 ZURICH Stockenstr. 10.
Tel.: 53711 Tel.: 3613 50.
10036 NEW YORK CITY
500 Fifth Ave.
Tel.: RCA 224923, T.: 7301350.

A NEW FINANCIAL
SERVICE BASED
ON THE NEW YORK
INDUSTRIAL
INDEX FUND N.V.:

WE HAVE
JUST OPENED
A FORWARD
MARKET
IN THE
DOW JONES
INDUSTRIAL
AVERAGE

Underlying the new market is the
New York Industrial Index Fund N.V.,
an open-end investment company listed on
the Amsterdam Stock Exchange and
investing solely in the 30 stocks making up
the DJIA. Each share of the Fund
consequently matches the value of the
DJIA.

Thanks to this new market, you can now
hedge or leverage your position in U.S.
investments by trading Fund shares on a
future delivery basis. Forward contracts
have maturities of up to seven months.

The new financial vehicle is available
through your bank or security dealer.

For a descriptive brochure on the new
forward market, as well as the prospectus
of the New York Industrial Index
Fund N.V., write to:

Damrak 60
Amsterdam - NL 1001
Tel. 020 - 22 05 06
Telex 14200 INDEX

INDEX
FUTURES
N.V.

Markets Closed

All securities exchanges and
banks were closed in the United
States, France, West Germany,
Belgium, Switzerland and the
Netherlands on Monday May 29.
U.S. markets were observing the
Memorial Day holiday and in
Europe Whit Monday.

"The Executive Advantage"

For business, private, emergency and
ambulance flights—
—however it really matters.

PRIVATE JET SERVICES
A Division of JET AVIATION
RUSK Zurich Airport
Tel. 01-814 3002 (24 hrs)
Telex 59820 PIET CH

ARE PUTS OR CALLS FOR YOU?

Investors have used Call options in
conjunction with their investment
strategies for four years. Now the coun-
terpart to the listed Call options market
is about to start trading. PUTS—options
giving the holder the right to sell 100
shares of stock at a set price for a
specified period of time—will begin
trading June 3 on the U.S. options
exchanges.

Dean Witter wants you to under-
stand how PUTS as well as CALLS can
be applied to various investment
objectives and strategies. We have a

special options research staff to help
you and we offer an effective execution
capability.

Options offer some attractive
possibilities, but there are risks in-
volved, so they're not for every investor.
We'd like to send you two free booklets
entitled "Are Put Options for You?" and
"Are Call Options for You?" along with a
copy of the Options Clearing Corpora-
tion Prospectus. Just call or send the
coupon to any of Dean Witter's institu-
tional offices in Europe listed below.

DEAN WITTER & CO. INCORPORATED

Gunter F. Jablonski, Mgr.
Königsallee 88
Düsseldorf 4, Germany
(0211) 32 08 57

Gunter F. Jablonski, Mgr.
Westendstrasse 8
6000 Frankfurt/Main Germany
(611) 72 02 76

Eric A. Fleury, Mgr.
34 Avenue de Frontenex
Genève 1207, Switzerland
(022) 36-53-47
(institutional Office)

Calvin Gaddis, Mgr.
7, Cleveland Row, St. James's
London, S.W. 1, England
(01) 930 0961

Please send me a copy of the booklet "Are Put Options for You?" and the OCC Prospectus.

Name _____

Address _____

Member, FDIC - Incorporated with limited liability in the U.S.A.



Morgan Guaranty's investment management gets international perspective from an organization that reaches all major financial centers. At an investment meeting in London are, clockwise from right foreground, Nicholas Potter (head, investment management, Europe), Walter Zisser (London), Patrick Flavin (Tokyo), Pierre Daviron (London), Martin Harrison (London), Karl Van Horn (New York), Georges de Montebello (Geneva), Dominique Robert (Paris), Charles Green (London), Alain Golaz (Paris).

For investment management with international know-how, consider Morgan Guaranty in London, Paris, Geneva

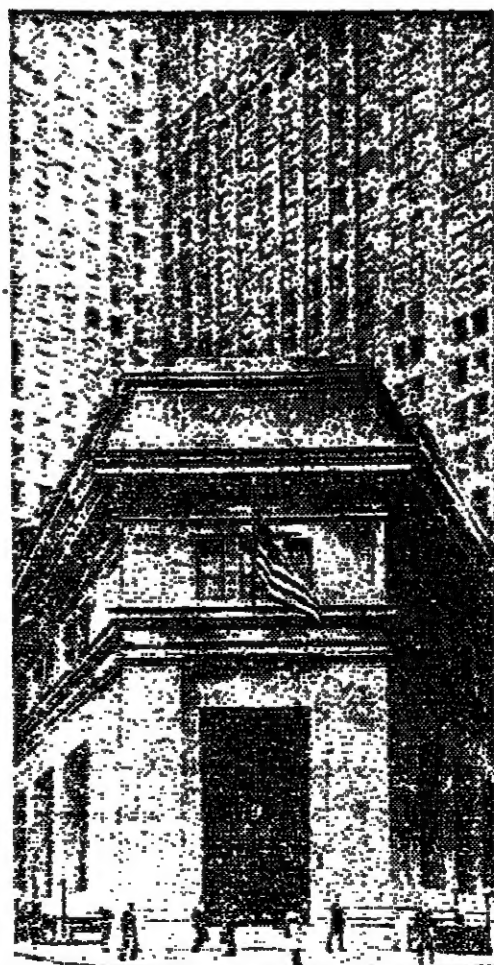
Morgan Guaranty Trust Company, the leading bank in investment management in the United States, provides the same expert service to clients around the world—through offices in London and Paris and a wholly owned subsidiary in Geneva.

This is money management for investors whose funds require an international perspective: pension and profit-sharing plans, insurance companies, official agencies, and individuals with substantial holdings.

Your funds benefit from a worldwide investment viewpoint when you engage Morgan Guaranty. Our investment managers receive a steady flow of information and evaluation from our own research staff of 60 professionals. These expert analysts cover industries and companies from bases in the U.S., Europe, and the Far East.

Morgan's international economists provide the investment managers with appraisals of the prospects for national economies. The bank's foreign exchange specialists in nearly a dozen markets around the globe supply a continuous updating on currency conditions.

Thus the officers managing your portfolio are well-in-



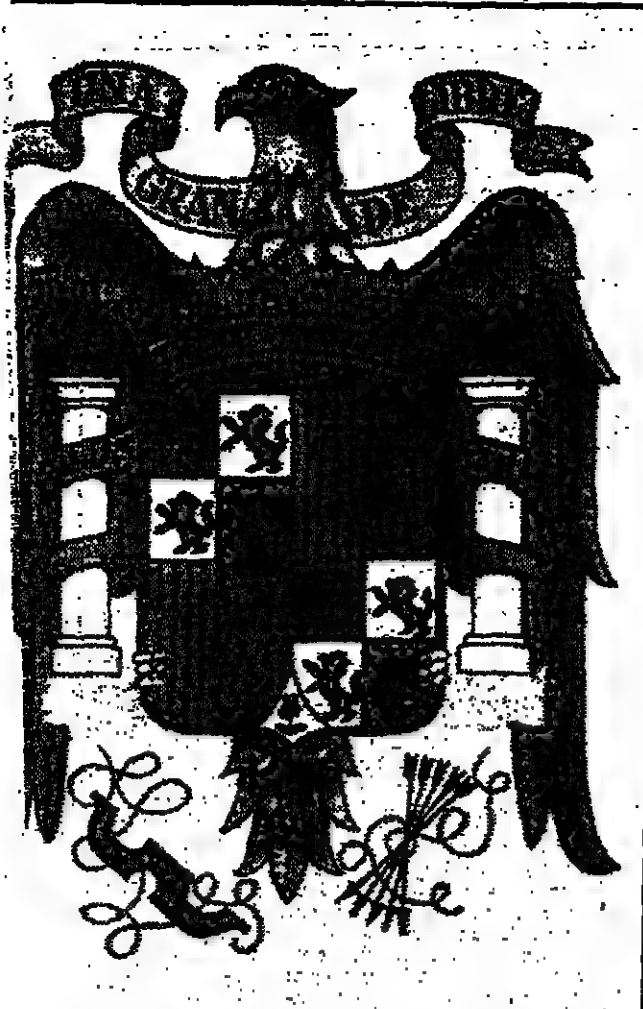
formed on investment opportunities—equity, fixed-income, money-market—in every major financial center and can make objective decisions keyed to your investment goals. Purchases and sales for your account receive the best possible execution through our skilled securities traders in the principal markets.

When you engage us to manage your money, your account is assured close individual attention. Our organization and the assets we manage are large, but the number of clients we serve is kept deliberately small. That is one of the ways Morgan Guaranty differs from other investment managers.

If you are responsible for the investment of substantial funds, we suggest you consider Morgan Guaranty. You can get more information about our international investment management services by writing to: in London, Martin Harrison, Vice President, 49 Berkeley Square, London W1X 5DB; in Paris, Alain Golaz, Vice President, 4 Place de la Concorde, Paris; in Geneva, Georges L. de Montebello, Manager, Morgan Guaranty Investment Services S.A., 7 rue des Alpes, 1201 Geneva.

Morgan Guaranty Trust Company

هنا من العمل



FOCUS ON SPAIN—1977

With First Democratic Election in 41 Years A New Chapter Is Opening for the Nation

Suárez Rule Has Brought Big Change

MADRID (HT)—The pace of reform in Spain in the last six months, from the December referendum approving the dismantling of the Franco dictatorship to the eve of the country's first general elections in 41 years, has dramatically speeded up.

After pulling slowly and painfully through the first post-Franco year like a rudderless ship, which could so easily have swerved further to the right, Premier Adolfo Suárez seems to have set the country firmly on its course to democracy, although events could still blow it off course, and further delay the democratic goal.

That the country had to wait until the first anniversary of Gen. Franco's death (Nov. 20) before noticeable changes began to be made spoke for the firm hold that the Francoist establishment exercised during that first year. The first six months after the dictator's death, with Carlos Arias at the helm, saw very little progress. It was not until Mr. Arias was sacked by King Juan Carlos last July and Mr. Suárez, Europe's youngest Premier, took over that the pace quickened.

It was as if the reformists within the establishment felt that they had to wait a respectful year before starting to bury Francoism. Certainly no serious attempt at doing away with the Franco system, which had held Spain in a vice-like grip for 36 years, was made until Mr. Suárez took over the hot seat.

Careful Tread

Mr. Suárez has had to tread very carefully between the Franco establishment and the opposition in its numerous guises. What is remarkable is that he has used the legitimacy of the Franco system in the last six months to get rid of the system and made the Francoists in the Cortes (parliament) commit hara-kiri. Only a few times has he stepped out of the framework of the laws of the old regime, although he has had to rely largely on decree laws, promulgated by King Juan Carlos, in order to surmount major obstacles.

The culmination of Mr. Suárez's first six months in office came with the referendum when he put fundamental political



Union members, here voting to strike last winter, have gained legal recognition.

reforms to the vote, paying the way for the general elections. An overwhelming 94 per cent voted in favor of electing a new parliament and allowing political parties other than the National Movement. A pathetic 2.6 per cent—the hard-core Franco element—voted no in the referendum. Even the government was surprised by the wide measure of confidence which Spaniards gave it to carry out reforms, although it must be pointed out that the referendum was hardly carried out on democratic lines, with the government urging everyone to vote yes and flooding the country with propaganda.

The right reacted quickly to the defeat. El Aleazar, the newspaper of Gen. Franco's Civil War veterans, said: "We do not have the feeling of being beaten as a result of the outcome of the referendum. Having done our duty (to vote no), we now go on to the offensive." It was a veiled warning to the government. To all but the blinkered it was obvious that the referendum result

represented the demise of the right. Mr. Suárez quite rightly interpreted the result as a clear mandate to move faster on the road to democracy, which he did, giving himself six months for the elections.

Two days after the referendum he was presented with his first and most burning problem when Santiago Carrillo, the exiled secretary-general of the Spanish Communist party, was arrested in a Madrid street along with seven members of the party's executive committee. Mr. Carrillo, the arch-enemy of the Franco regime, had evaded arrest for ten months after returning illegally from 37 years in exile.

A Dilemma

Mr. Suárez faced a dilemma. The Communist party was still illegal under the ambiguous terms of the new law of political association, which banned totalitarian parties and those submitted to an international discipline. The law had been drafted in such a

way by the Suárez government in order for it to pass through the conservative parliament. On the other hand Mr. Suárez knew that to allow some parties and ban others made a mockery of the democracy which he now professed to be bringing to Spain.

So he compromised: which he has had to do all the time. Mr. Carrillo was briefly imprisoned, released and the party subjected to arbitrary control by authorities: one week a clampdown, the next a blind eye was turned toward their "illegal" activities. This attitude continued while the party's legalization was delayed until April.

The same day that Mr. Carrillo walked out of Carabanchel prison the government abolished political courts, the Public Order Courts, through which thousands of people were handed out fines and heavy prison sentences for political offenses. However, political offenses still existed.

The outrage which the right felt at the tacit acceptance of

the Communist party was soon unleashed with a campaign against the Civil War activities of Mr. Carrillo. The Communist leader was allegedly involved in the killings of thousands of people in Nov. 1936 at Paracuellos del Jarama outside Madrid. Mr. Carrillo adamantly denied any responsibility and the campaign only served to open up Civil War wounds.

Violence

Political violence, from police and activists' bullets which claimed the lives of over 40 people in the first post-Franco year, was another of the immediate pressing problems facing Mr. Suárez. The kidnapping of Antonio María de Oriol, the president of the Council of State, on the eve of the referendum and the subsequent seizure in January of Lt. Gen. Emilio Villacueva, president of Spain's highest military tribunal, had the country on tenterhooks.

(Continued on Page 5.)

Voting for Parliament On June 15

By William Chislett

MADRID (HT)—When all the votes have been counted on June 15 and the electoral fervor is over, a long chapter in Spanish history will be closed and another, equally precarious, opened.

For three weeks politicians will have barnstormed the country persuading people that their political option is the right one. Harangued by the left, the right and the center, bombarded by pamphlets and posters covering every available inch of wall space, Spaniards will be saturated in politics. Many, bemused and bewildered, particularly in villages, will go to the polls with little conviction in whatever party they eventually decide to honor with their vote.

A cruelly astute cartoon in a newspaper recently showed someone placing his vote in an urn and a smoke bomb coming out of the side of the urn. The point was valid: Spaniards now have the right to elect their representatives, but will the authoritarian structure of the country soon change? Voices raised against the Franco dictatorship were quickly stifled. Voices raised during the transition period against what many sectors of the opposition called a sham democracy were also silenced—witness the fierce way in which police broke up demonstrations.

Democracy has been the word on the tip of everyone's tongue in the 17 months since the death of Gen. Franco. With the votes cast for the country's first democratically elected parliament in 41 years, it should be put into practice. The "dialectic of platitudes" of the transition period (a phrase coined by José Antonio Primo de Rivera, founder of the Falange and hero of the Franco regime), will hopefully become reasoned debate in the new parliament.

In Office

The immediate issue facing the new parliament after the government is drawn up will be to draft a new Constitution. It is most likely that Adolfo Suárez, the present Premier, will continue in office. His mandate does not run out until 1981 anyway. Most probably King Juan Carlos will ask him to stay on until then, barring unforeseen circumstances like an overwhelming victory by the neo-Francoist Popular Alliance. On the fair assumption that the Democratic Center of Mr. Suárez will obtain the most votes, though probably not an outright majority, he will continue in office.

The composition of the next government will depend on the electoral result. It has been reported that if everything works out as Mr. Suárez hopes it will, then there will be a center-left coalition government.

The government has already started to study a new constitution. Mr. Suárez has spoken of the need to "consolidate" the democratic process. Its drafting will be hotly debated in the new parliament, particularly if the Democratic Center tries to railroad it through without consulting with the left. The strongest resistance to a new constitution will come from the Popular Alliance, which sees no need for it. Spain has had 12 constitutions since 1808. The last constitution was in 1931 with the establishment of the second Republic. Gen. Franco suppressed it after the Civil War and substituted it with Fundamental Laws which have constitutional status.

Statutes granting autonomy to Catalonia and the Basque country were added to the Republican constitution. The autonomy issue will be another hot point in the new parliament. Both if autonomy and constitutional issues are frowned upon by the armed forces. Indeed it is understood that the armed forces will not permit the "breaking up" of Spain. On the constitutional issue the Popular Alliance, which enjoys considerable support in the conservative military hierarchy, has been appealing to the armed forces to "defend the institutional order"—which is interpreted as a

(Continued on Page 5.)

Many Financial Woes Is for Stable Economy er the Transition Period

By Harry Debelius

(HT)—"I was frankly overwhelmed when I saw production lines at West Germany. They have the same machinery, processes, and produce the same kind of product. They were turning out 100 and peak production it is 20 an hour." And I, a manufacturer of bagging machines, with a factory in the field, was up the state of Spanish day, chatting with a man and myself in a stertic.

ught, "These Germans, how to work; you've got it to them." And I, a manufacturer of bagging machines, with a factory in the field, was up the state of Spanish day, chatting with a man and myself in a stertic.

ne down to the shop said, "Why don't you work?" You won't. They were Spanish. Italians! There were Germans in the lot of The Secret is German. The Germans are the ones who work. They were Spanish. Italians! There were Germans in the lot of The Secret is German. The Germans are the ones who work.

market over foreign-produced products is the price differential resulting from transportation costs.

His complaint is commonplace among businessmen in this country. It is undeniable that business is suffering while Spaniards throw off their chains. In some cases, it is just coincidence. In others, there is a relation which can be traced easily. And the suffering is due, too, to the world petroleum crisis which began to be felt before the death of the late Gen. Franco in 1976. Between the results of the political transition and the many effects of the petroleum crisis (which brought Spanish emigrant workers back home from other countries at a time of rising unemployment), the real wonder is that the Spanish economy is not in disastrous shape rather than merely bad shape.

There appears to be little chance of immediate improvement, despite a marginal upturn in industrial activity registered in the early part of this year.

For the most part, businessmen pin their hopes on the probability of a comprehensive stabilization plan which might be put into effect sometime after the general elections in June. If serious and coherent steps are then taken to combat the grave problems of the economy, and if such measures are really enforced, then change might begin to be visible as early as late next autumn. If not, not even the hefty loans which Premier Adolfo Suárez has

This Survey

Today's special report on Spain was prepared by Harry Debelius and William Chislett, with a contribution from David Haworth.

The value of the peseta was 167.17 to the dollar on Friday.

chausted" those same workers, ones; you bring them coming and you put in my plant in this when you get up 25 or 26 units a complaint that you river, that they are Spaniards are hard because somebody is rules. But when is making the rules, rkers are here in try, they no longer se. We Spaniards dualists. Only wants to work, t a good salary but do as little as possible. They don't want more."

s of the woes of try was quite personalized, extremely ut he touched on a of Spain's economic s not all of his damning. An old ghter himself in the War, and a former anarchist tradewhich he expressed ion, the Catalanian continued:

eed are responsible. Even in Brazil, as a reputation for o handle. I made the union leaders n of two or three y would stick to 1 very little trouble. can't well organized not know whom to id if you make a the chance that the n't be kept."

that much of the e result of what transient circumhe confusion about is an expectable switch from the largely ineffective ns, which are being new workers" or hich have yet to es.

do we do in the e asked "Invested back because e of the situation wild; deratation not only far off, ivisable without se to go with it. rete with foreign-ucts. Like lots of businessmen, may e in the domestic

Three Men Discuss Their Country's Past, Present, Future



Eugenio Suárez, Publisher

a maze, it's necessary to place a reward on one side and an electrified screen on the other side: positive and negative myths. Elider used the negative myths of Jews and Communism and the positive myth of the superiority of the Aryan race, and so forth. Franco also used such positive and negative myths, with Communism and Masonry on the negative side.

Mr. Martin-Artajo: I think we're talking about two different things here, the Communists and the Masons. I agree about the myth of Masonry, but I don't think Communism is a myth at all. Anyone who reads the current Marxist and Communist books can see that. Communism in Spain would mean the total transformation of the socio-econ-

omic structure of Spain and the people. That doesn't sound like a myth to me.

Dr. Alvarez Villar: But, I repeat, Franco needed to develop a series of stereotypes.

Mr. Suárez: He needed an opponent even smaller than he was.

Dr. Alvarez Villar: You might say he invented his own devil.

Mr. Suárez: The Jewish-Masonic conspiracy.

Dr. Alvarez Villar: There's a joke that tells, better than any political treatise, what went on in Spain and what is still going on to a limited extent. A man is taking an oral examination and the professor asks him who won the battle of Lepanto, and he answers, "Franco, man, Franco." "And who won the battle of Waterloo?" "Franco." And the professor says, "You know nothing about history." The student answers, "I think you must be a Communist."

That's what happened to the worker who disagreed with the policy of his company; it's what happened to the intellectual who refused to sing the praises of the regime.

Mr. Suárez: Criticism was totally eliminated because the military system by which Spain was governed brooked no criticism whatever. It was a question of its very nature—it's absurd for a soldier to be allowed to criticize the general in an army, and it was the same here, with that military power growing like a cancer as the result of its victory. In such a situation it's understandable that nobody criticized that military regime when it failed to hand over the power once its battle campaign had



Jaime Martin-Artajo, Architect

ended... A military structure remained, constantly dominating Spain, and in fact it still dominates the country.

Right now I think it is the army that is setting the pace; and the military men, acting according to their manuals and on the basis of the information they receive, are bringing about a liberalization. I think the enormous cautious steps which (Premier) Suárez is taking are being taken with the full agreement of the army.

Mr. Martin-Artajo: I accept your observation that criticism was totally banned and published in Spain because it has no place in the military establishment.

Dr. Alvarez Villar: You could also blame it on this rather pecu-

lar church which occupied the pulpits for so many years.

Mr. Debelius: Haven't the church always been a power in Spain?

Mr. Suárez: ...No. I think not anymore.

Dr. Alvarez Villar: The church simply has the power which is given to it.

Mr. Suárez: Its power has always been a reflected power. The church hasn't had an army since the great popes stopped having empires. I think the church has certainly lost ground during the past few years in Spain... As the reflected power of the military, which it always was, the church influenced only the simplest people; thus its influence served to convey the wishes or promote the interests of the dominant classes. But in the past 10, 12 or 15 years, the "healthier" people, in my opinion, have been defecting from the Spanish Catholic Church, although sometimes mistakenly...

Mr. Chislett: But there was a curious relationship between the church and Franco, wasn't there? Except for the bishop of Bilbao, it was very rare for a bishop to criticize him directly...

Dr. Alvarez Villar: Well, really, when we start to pass judgment on fascists or neofascists, we tend to forget that everybody was like them in 1945. And in 1950 they were our professors of politics, our religion, our father, our big brother...

Mr. Suárez: No, no. I'm sorry, I don't think so. I'm older than you are. On the only side that survived the civil war, the winning side, there were Falangists and Carlists who were not



Alfonso Alvarez Villar, Psychologist

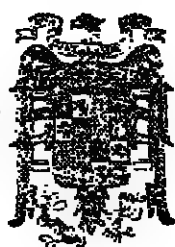
at all in agreement with the integration which the fascists or neofascists have consistently stood for.

Dr. Alvarez Villar: Those who held the reins, not only of power, but of education or of the economy, were people who were cut on the same pattern as today's neofascists. Naturally there were exceptions.

Many of those persons have undergone a metamorphosis, they have evolved, but the neofascists are like living fossils. It's like seeing a Diplodocus strolling down the Grand Via of Madrid.

Mr. Suárez: With regard to the Spanish Catholic Church, the church which has to live with Spain, the church which acts

(Continued on Page 5.)



Democratic Evolution Spurs Demand for Regional Autonomy...

MADRID (IHT).—If any proof was needed of the explosive force of regional issues in Spain's move toward democracy, the bloody clashes between police and demonstrators in the Basque country this month, in connection with the campaign for total amnesty, should have convinced skeptics.

Spain's long struggle for unity culminated in the same year that Columbus discovered America, but unity did not wipe out Spain's marked regional differences. Nor did the iron rule under Gen. Franco or any of his predecessors.

Differences in race and language were accentuated over the centuries by the very high mountain ranges which cut up the country. By the time communications improved, the marked personality of each region remained.

While Spain's case as a country of distinct regional languages and cultural patterns is not unique in the 20th century, the regional differences do seem to be more pronounced than in many other countries, and the differences have become a matter of pride for residents of the various regions.

The Regions

The main ones are sunny Andalusia, which includes most of the agricultural southern part of the country; Aragon, in the northeast, but not quite reaching to the coast; Asturias, the tiny coal-mining region where La Pasiónaria, Communist party president Dolores Ibarruri, began her political career; New and Old Castile, the central tableland with Madrid as its heart; Catalonia, where the bustling Mediterranean port of Barcelona and the tourist-favored Costa Brava lie; Extremadura, in the sun-baked west along the Portuguese border; green Galicia, the industrialized northwestern corner; Leon, north of Extremadura and part of Asturias, sharing part of the north central *meseta* with Old Castile; the fruit-growing

region of Murcia on the south-eastern coast; Valencia, "land of flowers, light and love" along the central part of the eastern coast, and the Basque region, facing the Bay of Biscay and embracing the western end of the Pyrenees.

Not all of those regions are infected or the fever of autonomy. But those which are so infected confront the government with the need for Solomonic solutions which can satisfy both the home-rulers and the powerful elements which equate national unity with centralism. The shadow of Gen. Franco hangs over Spain in this regard. Not only did he try to achieve unity through uniformity, by stamping out even the use of languages other than the official Castilian Spanish. He also made a deathbed statement, widely quoted by the followers of the regime, calling on Spaniards to defend the unity of their country.

More Flexible

Many of his fellow military men interpret that appeal in the literal sense in which the late dictator undoubtedly meant it, while the government seems to be inclined toward a more flexible attitude and a restoration of traditional regional control over certain local matters.

In contrast with Italy or Britain, Spain's home-rule dispute is complicated by the fact that the pressure is strongest in the richest regions, the Basque country and Catalonia, which have a vast share of the country's industry and commerce. The seed of separatism was nourished, in fact, long before the Generalissimo took over, by Catalonians and Basques who felt that their regions were being taxed in order to support the rest of the country.

While most home-rule advocates have now come to realize that poor areas need investments and development in order to become rich, and that raising the living standard of a poor area also means creating a market, the seed has flourished, and it would be virtually impossible to

suppress the demand for more autonomy now that the dictator is dead.

Lacking space for a review of all the regions, this section examines some of the problems of those regions in which there appears to be a need for urgent solutions.

Castile

MADRID (IHT).—Not surprisingly, Madrid, as the seat of Spain's very centralized government, is the unenviable target of a lot of mud. As the power base of the late Gen. Franco, the capital naturally became identified as the heart of the dictatorship.

In fact, Madrid has been a centralized capital for a lot longer than the last 28 years. Philip II decided to install major government offices as near as possible to the center of Spain in the 16th century. He chose a village on the banks of the Manzanares and that village grew into the city of Madrid. But it was not until 1606 in the reign of Philip III that Madrid officially became Spain's capital.

Bureaucracy was later accentuated after the Napoleonic invasion when the influence of the unwieldy French system was felt.

With a population of over four million, tens of thousands of whom work in the government's 18 ministries and through whose hands all decisions have to pass, Madrid is also a busy commercial and industrial city, like Bilbao and Barcelona, as well as the banking center.

Factories

Spain's best known producer of communications equipment, Standard Electric, has its main factories and laboratories in the Madrid area. The Chrysler factory, producing cars and trucks for the domestic market and for export, is on the outskirts. The main aircraft manufacturer, CASA, has a large plant near Madrid. El Agulla, the leading

beer producer, has several breweries. There are also a number of cement factories, and metalworking is an important industry. About half the major Spanish companies have their head offices in Madrid, reflecting the affinity between big business and the centralized government. IRI, the state-run industrial cartel, is naturally in Madrid.

Latest figures available show that the rate of population growth in Madrid is falling off. The birth rate figure for 1973 of 18 per thousand was the lowest figure since 1959. The number of people emigrating from other parts of Spain to Madrid is also dropping. In 1974 the number was 33,665 and in 1975 69,877. On the other side of the coin, in 1975 41,000 workers left the capital for other areas compared to 51,970 in 1974.

Madrid is a rapidly expanding city with the boundaries pushed out every year into sprawling suburbs. Although Madrid is one of the country's industrial centers (producing nearly 13% of the GNP in 1976) many of the factories are beyond the city's limits. There is a trend toward situating new factories in the suburbs or in "satellite cities."

Financial Orbit

Some of these "satellite cities" like Guadalajara, which now has a thriving commercial and economic life, are in fact outside the Madrid province, but still within the city's financial and marketing orbit.

The phenomenal rise in land values in Madrid has largely contributed to the shift. Land values are frequently higher than the cost of building on the land. Even the price of a very modest and small apartment in any of the numerous working class suburbs is two million pesetas and upwards.

Madrid vies with Bilbao and Barcelona as the most expensive city in Spain. According to figures published by the Madrid Chamber of Commerce, housing and food prices in Madrid more

than doubled between 1968 and 1975. These figures, however, reflect only the general picture, for in fact many items have far more than doubled.

While Madrid expands, Old and New Castile, the largest region of Spain, of which Madrid is the capital, is steadily declining. Many towns, like Avila, have only managed to double their production in 18 years. While agricultural production (most of the Castiles is agricultural land for wheat, wine and pasture) increased 137 per cent between 1955 and 1973, industry went up by 445 per cent and services 455 per cent. Agriculture has not kept pace with industry. This is immediately obvious once you drive out of Madrid. Of the poorest provinces in Spain five of them are in the Castiles.

Critics—particularly in Catalonia and the Basque country, the regions which have most suffered from the iron hand of authority and, although reluctant to admit it, have benefited the most economically—are quick to point the accusing finger at Madrid. They complain with some justification that the capital and its affluent upper class have become rich off the backs of the rest of Spain. In any case, the image of the "new" Madrid will be synonymous with that of the kind of Spain which emerges after the elections.

Basque

SAN SEBASTIAN (IHT).—"In the dictatorship anyone who was a Basque Nationalist was regarded as some kind of monster. Indeed children during that time were so indoctrinated that they would look to see if we had a forked tail," said a middle aged member of the Basque Nationalist party. While we were talking in Vitoria on Easter Sunday during the Aberti Eguna, the Basque National Day, riot police were firing smoke bombs and rubber bullets to prevent groups of mainly young people from gathering to demonstrate.

Thousands of police and para-

military Civil Guards manned road checks all around the Basque country that day, sealing off Vitoria, to prevent Basque Nationalists from meeting there to take part in the demonstration for autonomy, total amnesty and political freedoms.

It was an impressive display of force by the police and a courageous mustering of strength by Basques, who braved sleet and snow in the confrontations. But more than anything else it confirmed that the Basque country is the sensitive spot in post-Franco Spain, just as it was the main trouble spot during the dictatorship.

Basques are the proudest of all Spaniards and in a way the most stubborn. While no one can agree on just how strong the autonomy movement is in the Basque country—whether it is in the hands of a hard core of extremists, whether the radicalization there will disappear after the general elections or whether indeed an overwhelming majority are in favor of some degree of autonomy—most observers do see eye-to-eye on the potentially volatile situation which exists. Most of those who have died in acts of political violence since Gen. Franco's death were killed in the Basque country.

Inevitably the dictatorship radicalized positions in the Basque country, producing Spain's only successful guerrilla organization, ETA—the Basque separatist group which has claimed responsibility for at least 18 of those deaths. The radicalization was the natural product of the repression which was and is more severe in the Basque country than anywhere else in Spain.

History

The reason for the repression being harder in the Basque country is mainly historical. During the civil war the Basque country in general took the Republican side after the Republican government granted autonomy in 1936. Interestingly the Roman Catholic Church in the Basque country, which is probably more "religious" than any other region in Spain, supported the Republican cause while most of the other clergy took the Nationalist side.

Because of the "crusading" nature of the Nationalists' cause in "saving Christian Civilization," and also because of Gen. Franco's obsession with national unity, the Basques were the first to be beaten with the stick of authority. As in Catalonia, the local language and culture were swiftly crushed; and the red, white and green Ikurrina, the Basque flag, became illegal. Not surprisingly, when the old dictator died, Basques in Guernica, the old capital destroyed by Hitler's Condor Legion in 1937 and immortalized by Picasso, toasted Gen. Franco's death with champagne and bonked their horns.

Since then the Suárez government has gone a considerable way toward trying to defuse the intense feelings of the Basques by legalizing their flag (a symbolic act more than anything else); allowing the Basque language to be used for some official purposes; promising to look into the economic problems and widening the amnesty for political prisoners.

When the government granted the amnesty in March, most of the remaining political prisoners were members of ETA. Many of them have been released but not those directly involved in crimes of violence. The clamor for total amnesty—to include those imprisoned for politically motivated crimes of violence—is now almost exclusively confined to the Basque country and enjoys fairly wide support there.

Threats

The issue was not made any easier by ominous threats from ETA that they would start a campaign of violence again unless the amnesty was total by the time official campaigning started. They were also demanding the recognition of all political parties and the right to demonstrate.

An ETA spokesman told the Herald Tribune that they would recommend that Basques abstain from taking part in the elections unless conditions were fulfilled. The deaths of five people in the Basque country in pro-amnesty demonstrations shortly before campaigning started raised the political temperature.

In last December's referendum there was an average abstention rate in the four Spanish Basque provinces of 37 per cent compared to the national abstention rate of 22 per cent. In Guipúzcoa and Vizcaya, the two large industrial provinces, the rate was 55 per cent and 48 per cent respectively. Apart from being a protest vote at the underdeveloped conditions of the referendum (and taking into account the normal rate of abstention anyway), it also reflected the anti-Madrid-government vote. Not even in Catalonia, the other sensitive area, did the abstention rate approach those figures.

ETA says it will call a truce if its conditions are met. "The Basque people want peace and this means the achievement of a minimum number of democratic objectives which the people can use to realize their aspirations

without having to resort to violence."

"Today we still have the support of a very high percentage of the people," said the ETA leader. "Even the patriotic (pro-Basque) right supports us as well as the base of the Basque Nationalist party. The people understand why we react against the repression."

Although support for independence is small, the militant feeling for autonomy does seem to be widespread. "The government in Madrid must give us autonomy if it wants to govern," said Mr. Ramon Sola, a leading young member of the Basque Nationalist party. "If the government does not, then there will be a total disrespect for it, with civil and even military resistance from the younger elements of our society who refuse to accept the status quo."

Independence

"It is utopian to expect that we shall achieve complete independence," Joseba Elsoegui said. Mr. Elsoegui should know, for few Basques have been more fanatical than he. In 1970 he set fire to himself and jumped off a balcony in front of Gen. Franco, shouting "Gora Euzkadi Askatasuna" (Long Live the Free Basque Country). He was 16 days in a coma and several years in prison.

Industrially the Basque country, like Catalonia, carries as much economic weight as it does political with a very large proportion of Spain's chemical, paper, steel and shipbuilding industries concentrated into the area. Fifty-two per cent of all industry in Vizcaya and sixty per cent in Guipúzcoa is in heavy and steel manufacturing and metal working. There has been a consequent movement of workers to the Basque country from poor areas.

In Mondragón near Bilbao there is a thriving system of co-operatives with a combined annual turnover of \$340 million and a labor force of nearly 13,000. It is proving to be so successful that the Mondragón community is growing at the rate of about four new cooperatives a year.

If Basque nationalists are elected to next parliament, then, like their brothers in Catalonia, they can be expected to be at the least a vociferous group.

Catalonia

BARCELONA (IHT).—While militant Basques shout "Gora Euzkadi" their Catalan counterparts utter "Volem L'Estatut" (Catalan for "We Want the Statute"). The 1932 statute gave Catalonia its autonomous government, the Generalitat.

With a population of over 5.5 million and the highest growth rate in Spain (Catalonia produces about 23 per cent of the country's GNP), the political and economic weight which this area carries is considerable. Many of the economic problems in Catalonia are, as in the Basque country, the natural consequences of a highly industrialized area. The political problems are synonymous with industrialization and are given their own peculiar identity by the autonomy movement.

"We don't want to win the war that we lost in 1939," said Ramon Trias Fargas, head of the liberal party Esquerra Democràtica de Catalunya. "We don't want political revenge." For Mr. Trias Fargas and other "Catalanists," Catalonia is unquestionably a nation.

Nowhere in Spain is the feeling towards joining the European Community as positive as in Catalonia. No other Spanish city is as European as Barcelona with its burgeoning and wealthy middle class.

Industry

Probably nowhere, other than in the Basque country, is the anti-Madrid feeling so strong and widespread. However, Catalonia does not have the extremes of the Basque country and has no equivalent of the Basque separatist organization ETA. Indeed the separatist movement is pretty small.

With the largest port in Spain, the Seat car factory, a dominant textiles industry, chemical products, metal manufacturing, paper, printing and graphic arts, leather goods and clothing, Catalonia has the lion's share of Spanish industry. Industry in Catalonia is more geared up for EEC membership than anywhere else in Spain. Europe has long been the main market for Catalan exports and last year about 69 per cent of all exports went to the EEC countries, the European Free Trade Association and the Eastern European bloc.

This heavy concentration of industry in Catalonia has inevitably led to vast numbers of people emigrating from other, poorer rural areas of Spain to Catalonia for a better life. Since 1959, which was the real take-off point for the economy after the United States started investing in Spain, about 1.5 million people have emigrated to Catalonia, mainly from Andalusia. Indeed, so strong has been the move away from the underdeveloped, rural areas to Catalonia that it

is estimated that over 10 million is working population in Catalonia alone.

Emigration

Emigration has been falling off because of the increase in unemployment, the high density of population in the Barcelona area, houses about a tenth of population.

The average income per person in Catalonia along with the Basque country and is as much as three times that in the poor parts of Catalonia. Of course the cost of living in Barcelona, in particular, is much higher than in the areas from which people emigrate.

This emigration has been unknown and important to the autonomy movement of those who have come outside to find work and probably will not in fully into the area. But better issues are far more important to them than Catalan culture and the devotion from Madrid. The same authoritarianism that Madrid under Gen. Franco is a fraternal feeling between Catalan and non-Catalan.

It is worth noting that the United Socialist Party of Catalonia (the Catalan Communist party) puts autonomy on its political program party is well organized, with 25,000 militants. It sees the problem not really in of autonomy—although it is a straight class issue, naturally regard the party autonomy support as tactics.

Autonomy

Electoralism the many of pro-autonomy parties, with the Democrats, liberals, vaders, stand to do very well. Indeed as Jordi Pujol, the Convergència Democràtica leader and until March a member of the opposition's neg team with the government "These elections are not democracy, but also a degree of autonomy."

In neighboring Valencia is a growing feeling that Valencia is hogging too much limelight. Industrially, the creation of the Ford car plant last year, providing an exit jobs.

Export-oriented, production of 280,000 cars and 440,000 engines in addition, the plant will cost a net figure of 21 billion to Spain's balance of payments. Valencienses feel that it is given too much preferential treatment for those born in Valencia. Valencia's problems are not, for they are Spain's.

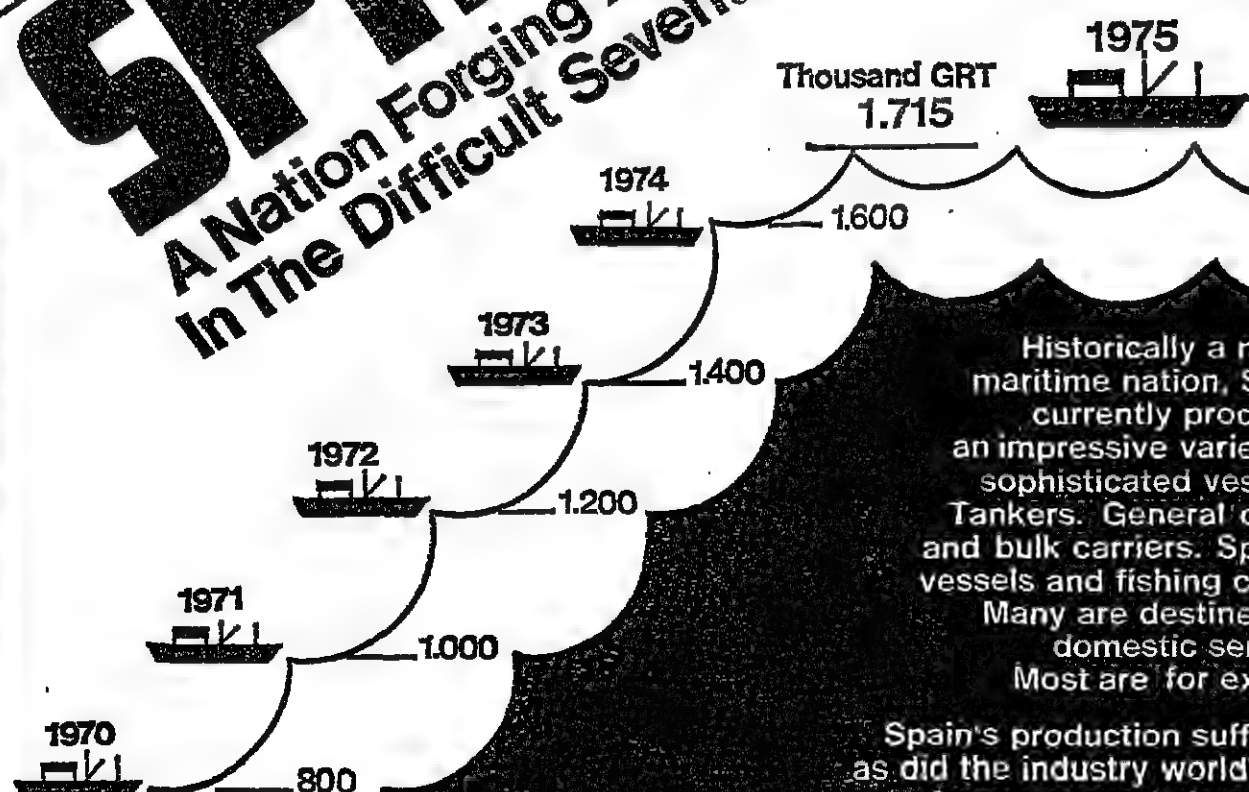
The speaker, sharing a platter of fried fish and of local wine with this was a "repatriate," but of Andalusia, not but political militancy. A Sevillian who had followed traditional road to self-interest for those born in the region or the neighboring region of Extremadura, moved to Madrid for a professional career and experience to work region.

Andalusia's problems many and serious, and none of them reflect structural changes in the economy. The faults are obvious: the fact that the Andalusians have a tendency to overlook even the most obvious problems whenever they slightest excuse to enjoy themselves.

Pageantry Holy Week procession more pageantry in Andalusia than anywhere else in the Spring Fair here in Andalusia and the Horse Fair in Jerez of sherry wine, are world-famous. Andalusians this time of year; but and flamenco, the two which characterize Spain, foreigners, are typically Andalusian.

Andalusia is Spain's region, larger and richer than Portugal in ways. Andalusia and I, taken together, about one-fourth of the population of Spain. It has been one of the south of Spain from the curse of the 16th century. But the simple explanation, (Continued on next)

SPAIN
A Nation Forging Ahead
In The Difficult Seventies



Historically a major maritime nation, Spain currently produces an impressive variety of sophisticated vessels. Tankers, General cargo and bulk carriers. Special vessels and fishing crafts. Many are destined for domestic service. Most are for export.

Spain's production suffered, as did the industry worldwide, from a general slowdown in production last year. And was by no means exempt from labour problems.

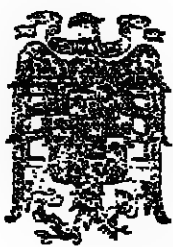
However, orders for the rest of the decade are way up and there are clear indications that the Spanish shipbuilding industry is ready to grow once again... full steam ahead.

Contact CEDIN (Centro de Documentación e Información del Comercio Exterior) TRADE INFORMATION CENTRE, Almagro, 34, Madrid 4 - 4194421 - Telex 44185 CDEX or the Spanish Commercial Offices or Chamber of Commerce in Bonn, Frankfurt, Berlin, Vienna, Brussels, Paris, Copenhagen, Helsinki, Marseilles, Bayonne, Athens, The Hague, Rome, Milan, Oslo, Warsaw, Moscow, Lisbon, London, Bucharest, Stockholm, Bern or Zurich. They'll explain how...

YOUR BUSINESS CAN PROFIT FROM SPAIN'S PROGRESS

مكتبة من الكتب

 **IBERIA INTERNATIONAL AIRLINES OF SPAIN**



Large Undecided Vote Must Decipher Wide Political Spectrum

MADRID (IET).—The proliferation of political parties running in Spain's general elections lends credence to the popular belief that every Spaniard is his own political party. There are 6,000 candidates competing for 350 seats in the Congress of Deputies and 207 out of the 243 seats in the Senate. The other 42 Senate seats are appointed by the King.

In Madrid there are 26 electoral lists and in Barcelona 33. These are the most important parties from right to left:

—The National Alliance of July 18.

Franco diehards running in half the provinces. Formed out of the extreme right wing Fuerza Nueva of Blas Piñar, a member of the present Cortes by direct appointment of Gen. Franco, and the Spanish Falange of Ramundo Fernandez Cuesta, aged 80, a former minister of the Movement. So called as it proclaims allegiance to the principles of July 18, 1936—the date of the military uprising. This Alliance scorns political parties although it has formed one to "defend and propagate our conviction that liberalism, at least in Spain, was always antidemocratic," as 33r. Piñar has said. It will be supported by Gen. Franco's Civil War Veterans' Organization led by José Antonio Gilón. The Alliance's members voted no in the December referendum on political reforms.

—The Popular Alliance.

A federation of six parties all led by ex-ministers, with Manuel Fraga, the Interior Minister in the last government, as overall boss. Neo-Francoist although professes to represent the real center in Spain.

The Alliance proposes the establishment of a democratic system along Western lines, which is regarded with skepticism given the past records of its leaders. Pro-EEC membership and NATO. Belligerently anti-Communist and authoritarian. Powerful financial backing and a potential vote catcher, particularly in rural areas. The dynamic Mr. Fraga is

immensely ambitious and it remains to be seen whether he has committed political suicide or played his cards right.

—Union of the Democratic Center.

Coalition of liberal and Social Democratic parties and one Christian Democrat party. Premier Suarez threw his weight behind the Center at the last minute and will head the Congress list for Madrid. His support, which has drawn accusations of bias from especially the right, has enormously boosted the chances of the Center to win.

Mr. Suarez justified his decision by saying that he wanted to avoid polarization in the country. The Center, favorites to win,

will attract many middle-class votes wanting to continue the political change started by Mr. Suarez. The exceptionally large floating vote in Spain (about a third of the electorate) will probably opt for the Center as well. Unfortunately this coalition has to a large extent become a government party, in that many high administration officials resigned to be placed on lists or were nominated by present ministers unable to run themselves. Not a very cohesive coalition, but cohesive in its allegiance to Mr. Suarez. The Center presents a moderate program.

—Christian Democrat Team. Coalition between the parties of Prof. Joaquin Ruiz Gimenez,

education minister in the 1950s until he quit the regime to become a lawyer defending political cases, and Mr. José María Gil Robles Jr. and the Democratic Union of Valencia. The team has regional parties in Catalonia, Galicia and the Basque country which are running on their own. There were moves for the Christian Democrats to form part of the Democratic Center, but agreement was only reached in presenting common candidates in a few provinces. The Christian Democrats are moderately left wing compared to Italy, for example, and they have the tacit support of the church.

—Socialist Unity. Coalition between the Popular

Socialist party (PSP) of Prof. Enrique Tierno Galván and the Federation of Socialist parties (regional parties like that of Andalusia). Logically these Socialists should have come together with the Spanish Workers' Socialist party of Felipe González for a united Socialist front, but no agreement was reached, with each blaming the other. Marxist program. Prof. Tierno Galván is the father figure of Spanish socialism since the civil war. Widely respected member of the opposition's negotiating committee with the government, he is also one of the few left-wing figures to have talked privately with King Juan Carlos.

—The Spanish Workers' Socialist party.

The strongest leftist party and the oldest. Founded in 1878. The party, under the youthful leadership of Mr. González, a Sevilian lawyer, insisted that all other Socialists should go under his party's banner. Mr. González is a star on the ascent and the best known opposition politician abroad. The party, which suffered the most along with the Communists under the Franco regime, enjoys the support of the Socialist International.

Dr. Mario Soares and Willy Brandt, the Portuguese and West German Socialist leaders, have done a lot of campaigning for their Spanish brothers. The

Spanish party's word carries a lot of weight abroad.

It is against the U.S. bases in Spain and membership in NATO. More radical than the PSP and more insistent on the sensitive issue of whether Spain should remain a monarchy or become a republic again. Mainly young following and expected to do well in the elections.

—The Spanish Communist party.

"Eurocommunist" led by Santiago Carrillo, who returned last year from 37 years in exile. The president is "La Pasionaria," Dolores Ibarruri, aged 82, who is more identified with the Moscow line as she spent her political exile there. The party was only

legalized in April and it up for lost time by a fra-
peign to destroy the
myth of the party
Either for tactical reason
of genuine desire for ch
party prides itself on t
most liberal Communists
Western Europe. For
1921, the party changed i
line in 1956 with the ap
of Mr. Carrillo, who pro
policy of "national recon

The party says it is
a pluralist society. His
in economic matters. I
now displays the monar
at meetings along with t
Pro-monarchy providing
racy is really establish
Carrillo, in accordance
lamb-like image of the
cently recommended th
members make less us
clenched fist salute,
unknown but could
either way.

—Front for the Unity

Coalition of still illega
left groups like the Rerc
Communist League. Th
ment refused to legaliz
further left of the C
party. As a result so
come together ostensibl
dependents.

The situation is furth
licated by agreements
provinces like Madrid f
of candidates for the S
be supported by the Com
Socialists and Christian
crisis. In this way the
hope to ensure their pr
the Senate faced with
dent Senate lists by the
Alliance and the De
Center. The elections
Senate are by a straight
ly system and for the
by proportional represen

If precedents are any
go by, in the last general
in Feb. 1936, the Popul
(coalition of the left) g
per cent of the vote; the
Front (the right), 29 per
the Center, 3 per cent.
a highly complex elect
ten this gave the left
portionate majority in t
ment with 278 seats for
lar Front, 137 for the
Front and 56 for the C
government is hoping t
time the Center will be
force.

Tourism Recovering Despite Political Uncertainty

MADRID (IET).—While Spain's political problems are far from solved, there are signs that the slump in the tourist industry, due to fears about political stability, is over.

More than 1.3 million tourists visited this country last January, nearly 11 per cent more than in the same month of 1976. During the first 15 days of that first month alone, 105,000 more foreigners came to Spain than in the same period the year before. The upsurge is no isolated statistical quirk. It appears to be part of a trend which tourist officials began to notice last September.

During the first quarter Spain played host to nearly 15 per cent more tourists than in the first quarter of 1976. The increase in March alone was more than 16 per cent. By the end of the quarter, according to official statistics, 4.1 million foreigners had come to Spain since the beginning of the year. That was an all-time record, topping the previous record figure for the same period—set in 1973—of 3.8 million.

Spain took in over \$204 million in gross tourist revenue

in January, which was 8 per cent more than in the same month of 1976. But the figure reflected more tourists, not more spent. The individual tourist spent slightly under \$154, 2 per cent less than the average in January, 1976.

But while the tourists are beginning to come back to Spain, both the Spanish political situation and inflation have encouraged more Spaniards to travel abroad than before. Many of them are bargain-hunters, and London is currently the favorite Spanish tourist destination. Nearly 600,000 Spaniards traveled outside their country last January, a staggering 81 per cent more than in January, 1976.

By February the fever had somewhat diminished. In that month more than 453,000 Spaniards traveled abroad, 49 per cent more than in the same month the year before.

The increase in the number of foreign visitors is great news for Spain, especially following two dismal years in the tourist industry. The worst year, despite the upturn at the end, was 1976, when Spain's gross tourist income

of \$3,083 billion hit a four-year low.

The Minister of Information and Tourism, Andres Reguera, reviewed the situation in a televised interview broadcast nationwide from Madrid at the end of January, saying, "It's common knowledge that the political events in Spain beginning in September, 1976, were critical developments which produced a certain retraction... at the moment when tourist contracts were being drawn up."

Boycott

He was referring to the international reaction to the executions of four political activists in the last days of Gen. Franco's rule, followed by the uncertainties posed by the illness and death of the Generalissimo. The executions provoked a boycott of Spain as a tourist destination by trade unions in Sweden and Finland, and recommendations by politicians in other European countries against spending vacations in Spain. The boycotts remained in force for a year or more.

In a televised interview, the min-

ister explained, "This retraction was evident throughout the early months (of 1976); but as our client who, I insist, is fundamentally European, began feeling safer, and as the unknown factors in the Spanish political situation began to diminish, the tourists returned; he felt assured that things were going smoothly enough to suit him. And above all in the last trimester there was this spectacular increase of 25 per cent which matched the record for tourist growth set in the final trimester of 1973."

The return of tourists to Spain in great numbers is necessary, he claimed, because "mass tourism is what the (Spanish) tourist offer calls for and what it is geared for."

"At this moment we have 2,500,000 tourist beds on record, without taking into account those apartments which are not listed with the ministry and which are put to a variety of uses. Naturally, if we consider that the average stay of a tourist might be 10 days, we would need a much greater number of tourists than the 30 million who came last year,

if we are to reach full occupancy."

"Great Miracle"

"A few figures will suffice to reflect the importance of the tourist offer: for instance Egypt, a major tourist country, has only half as many tourist beds as the province of Malaga; Portugal, another major tourist country, has 25 per cent fewer beds than Benidorm; Greece, yet another important country, has 25 per cent fewer beds than the Balearic Islands. Naturally, with a tourist offer of this dimension, we need mass tourism. This mass tourism is what worked the great miracle of the Spanish balance of payments, with such spectacular results, for example as those of 1975, when tourist income represented 44 per cent of all exports (visible and invisible). And it is probably, even more significant, to point out that during that year the income of 193 billion pesetas from tourism was more than that resulting from export sales of cooking oil, shoes, vegetable products—except for citrus fruits—from and steel and transportation equipment—more than all those things combined much more."

Discussing future prospects, the minister said, "I wish I had a crystal ball so I could say what 1977 will be like; nevertheless, I will venture to make a guess, as I did last July, about what the second semester was going to be like and which turned out to be pretty close. I think the tourist outlook is very good for 1977. In the first place, all the doubts, all the uncertainties, all the attitudes of concern about the Spanish political situation which existed in Europe have been completely dispelled. Mr. Reguera wound up the interview with a reference to efforts on the part of the Ministry of Information and Tourism to diversify the tourist offer: "We are giving up the single universal technique of promotion for all countries, in favor of more specific techniques, trying to find out in each of the countries that might send us tourists what their preferences are... what they like and what we have to offer them. That is, it is coherent to offer sunshine and beaches to a man to a Nordic country who does not normally have the chance to enjoy this sun. It is not coherent to try to sell sun and beaches in the United States, when it is much easier for an American to enjoy the sun and sand of Miami, of Acapulco or of the Caribbean. But we can offer that American tourist monumental cities; we can offer him good sports facilities; we can offer him the kind of hunting and fishing that he might not have there."

SPAIN
A Nation Forging Ahead
In The Difficult Seventies

GROSS NATIONAL PRODUCT
(in millions of pesetas)

1970 2,563,000

1971 2,901,400

1972 3,408,200

1973 4,126,455

1974 4,943,000

1975 5,781,000

The per capita income in Spain today is well over \$2,000. Ten years ago it was a mere \$500. Such dramatic progress is typical of the Spanish economy so much larger and more resilient than most people realize.

Tourism and Agriculture have certainly contributed, but the main credit must to industry. Currently responsible for over 70 % of Spain's exports.

And while her ties are naturally with the industrial economies of Europe and North America, Spanish ships, cars, machinery, tires and an impressive list of quality consumer goods are today exported throughout the world.

Contact CEDIN (Centro de Documentación e Información del Comercio Exterior) TRADE INFORMATION CENTRE, Almagro, 34, Madrid 4 - 4194421 - Telex 44185 CDEX or the Spanish Commercial Offices or Chamber of Commerce in Bonn, Frankfurt, Berlin, Vienna, Brussels, Paris, Copenhagen, Helsinki, Marseilles, Bayonne, Athens, The Hague, Rome, Milan, Oslo, Warsaw, Moscow, Lisbon, London, Bucharest, Stockholm, Bern or Zurich. They'll explain how...

YOUR BUSINESS CAN PROFIT FROM SPAIN'S PROGRESS

BANIF S.A.

LEADERS IN THE PROVISION
OF MERCHANT BANKING SERVICE

Corporate Finance
Underwriting & listings
Investment banking advice
Mergers & Acquisitions
Portfolio management
Trading in Spanish stocks
Real Estate Investment service
Leasing activities
Unit Trust management
Insurance broking services*
Industrial research

* through our associate company Bowring Banif, S. A., in which our partners are the major London Insurance Broking Group. C.T. Bowring (Insurance) Holdings Ltd. who have on 21 st. april been awarded "the Queen's Award for export achievement 1977".

BANIF, S.A. Phone 4110211 and 2762000 Telex Banif-E 27368 Juan Bravo, 2 Madrid 6-Spain
Banif, S.A. is a member of the Banco Hispano Americano Group

BANIF



BANCO HISPANO AMERICANO

International Partners

BANCO DI ROMA - COMMERZBANK - CREDIT LYONNAIS

مكتبة من الكتب



Birth of Legalized Unions Brings Squabbles, Lack of Direction

IT)—The legalization of unions ended the 38-year-old state-run system of the state-run unions, but how free the unions will be seen.

Union of Workers and Socialist Workers (USO) tested their freedom by defying the government's ban on meetings between the who in the main body, and riot police since angling badly

legalization came with the government's registry in the Sindicatos (state-ones). The law, approved by Gen. parliament before is democratically y "the first step in union reform," the minister, Mr. Maia, aptly com-

the Line

st National Con-Workers hesitated to go through amnesty procedure, decided to toe the

1940 on the pattern corporations and Gen. Franco's Civil "the Sindicatos" workers, execu-loyers in state-run

Now under the law, "workers" can form in each tivity, at local or professional asso- they see fit to respective interests," are over 125 legal- national and re-nd including work- employers' organi- situation is as con- proliferation of es.

ously worded law,

but, probably "deliberately" so; otherwise, the reformist govern-ment of Adolfo Suárez would probably not have got the bill through the Cortes, packed as it was with deputies owing their allegiance to the old regime and with only 150 of the 550 deputies representing the Sindicatos.

While independent trade unions are now recognized, the Syndical Organization, the vast bureau-cratic organization which employs over 38,000 people, continues. The organization extracts dues from workers' pay packets (as well as from employers) and militant workers now demand that some of this patrimony be returned to them.

Sindicatos officials are worried about their future. Their jobs are becoming increasingly irrelevant given the recognition of other trade unions. This issue is likely to be a conflictive one, for if the official system continues to exist alongside the other unions—or is given a face-lift—then this will not say much for trade union freedom. It will be a long-term problem with the eventual incorporation of many officials into other ministries and possible creation of a different form of trade union ministry. Of course this also depends on how well organized the other trade unions become.

Also the relationship between political parties and trade unions is not clear, nor what bargaining rights they will have with employers. Gen. Franco's state-run system was part and parcel of his political one, with the National Movement as the only legal political organization. The movement was disbanded in April, but the Syndical Organization still exists and is likely to do so for a much longer time, although superficial changes might be made, like getting rid of the post of minister for the Sindicatos.

The political squabbles between the four trade unions, which for obvious reasons never came to the surface in the dictatorship, are now revealing themselves to be as virulent as those going on in the legion of political parties. It was natural that under Gen. Franco worker resistance to his totalitarian regime was basically united, as all had a common enemy and objective in replacing the dictatorship with democracy.

Now that Gen. Franco has been dead 17 months, political divisions have widened.

The Coordination of Syndical Organizations (COS), formed out of the CCOO, UGT and USO, is now almost defunct after being in existence for less than a year. Nicolas Redondo, the secretary general of the UGT, withdrew in late March because of the widely differing views. For all the talk about the need for unity on the labor front, with hardly a week passing without at least one trade union leader calling for unity, in reality it is a long way off.

The fact is that the tactics and politics of the CCOO, UGT and USO are far apart. The CCOO is mainly controlled by the Spanish Communist party, although it claims to be non-partisan. This claim is taken lightly, as no less than 20 of the 27 members of the executive committee are known to be card-carrying members of the Spanish Communist party, and some, like Mr. Camacho, are also on the party's central committee.

The CCOO reckoned to have 172,350 members by mid-March. The UGT, formed in 1888 and so by far the oldest of the trade

unions, is the trade union wing of the Spanish Workers Socialist party (PSOE). It has 126,000 members. The USO, with 60,000 members, is not affiliated to any particular party although it is inclining towards the Socialist ones.

The CCOO in particular managed to infiltrate the official system under Gen. Franco, and many of its members were elected to minor posts. The UGT and a fourth union, the anarchist National Confederation of Labor (CNT), are insisting that these CCOO members and USO ones resign from their posts in the

state-run system, as they want fresh—unofficial—elections to be held. This reluctance by the CCOO and the USO to abandon their posts is partly the cause of the rift in the COS, along with personality clashes of the type that seem to be a characteristic of Spanish politics.

Free Elections
The CCOO and the USO argue that to resign now from posts in the state-run system would create a "vacuum." They say that their presence within the official system serves to counter the at-

tempts being made to create a neo-official system. The UGT argues that it is impossible to get rid of the official system unless people do resign from posts. The CCOO and the USO appear to be willing to resign if there are completely free elections. This is another problem which will have to be sorted out, for unless the system is changed the next elections will be in 1983. The last ones were held in 1975 and most probably a new date will be set by the next parliament.

UGT members see the CCOO as a maneuver by the Spanish Communist party to gain control of the trade unions.

On the other hand, as the CCOO rightly points out, members of the mainstream Socialist party, PSOE who belong to a trade union, have to belong to the UGT.

One of the most interesting phenomena in the Spanish trade union movement to have resurrected itself since Gen. Franco's death has been the anarchist CNT, founded in 1911 in Catalonia, was historically the strongest, with two million members by the time the Civil War began in 1936.

This fascination for anarchism is again starting up. The first authorized meeting since the Civil War was held late in March when 20,000 people packed into a small building in a Madrid suburb. There were old militants from the Civil War and a great majority of students listening to speeches calling for a libertarian society. The CNT does not believe in parliamentary democracy and so will not take part in the elections.

Undecided
Even adding in the 38,000 CNT members, this only gives a total of some 387,000 people belonging to the four leading trade unions. (The figure does not take into account the various regional unions.) With a total labor force in Spain of 13.5 million it can be seen that the great majority of people are undecided as to what trade union to join. In conservative circles the understandable fear is that the Marx-ist-orientated trade unions, basically all of them, will cash in on

this uncertainty and start flexing their dormant political muscles.

The Minister of Work, Alvaro Rengifo, strongly attacked last March those trade unions which follow the Marxist line. He said that their demands were "utopian" and they were trying to sow the seeds of discontent among workers because of the worsening state of the economy and to convert them politically. He complained that "the voice of the average worker is still not heard." But given the fact that a small percentage of the labor force actively participates in the trade unions, this is a process requiring time and general political freedom. When it comes to striking, the unions do have a lot of pull.

A decree passed in March recognized the right to strike. This law took the place of one passed in May 1975 which made striking virtually impossible as so many conditions had to be fulfilled. While still not as free as in most other Western European countries, it does allow strikes with five days notice to employers (ten for those in public services) and after a majority has decided by secret ballot to take action. Political and solidarity strikes are still illegal.

Strikes
The total number of strikes last year was 1,568—the most ever in Spain—compared to 531 in 1975. It was the first year after Gen. Franco's death. The lid was off, and most of the strikes occurred in the first three months, when more workers went on strike than in the whole of 1975.

Just as the political map in Spain will not be clearly defined until the country's second elections, so the trade union situation has a long way to go before a clear direction will be seen. The official system may well be given a democratic facelift and exist along with the others.

One issue is certain: employers will be a lot more united in their negotiations with workers than workers will be among themselves, unless there are fundamental agreements between the different unions.

Much Change Is Seen Under Suárez Rule

(Continued from Page 1.)

terbooks for six weeks as rumors of who was behind the action reached mind-boggling proportions and the death by machine gun of five Communist lawyers in Madrid heightened the tension.

In the end the urban guerrilla group GRAPO (the first of October Anti-Fascist Resistance Group) was caught and claimed responsibility, leaving many questions unanswered in a strange affair which many thought would slow down the democratic process.

Mr. Suárez was confronted with problems on all fronts. The opposition's patience after the referendum was by now wearing thin after a year of further harassment and virtually no dialogue with the government except in private contacts. The inclusion of Mr. Carrillo in the opposition's negotiating team posed yet another dilemma. Mr. Suárez chose the middle path: opening the sacred doors of his office to all but Mr. Carrillo, who accepted the decision like a lamb. It was an important step, as much symbolic as anything, for it was official recognition that at least the opposition existed.

The issues on the negotiating team's agenda were the release of political prisoners, the legalization of all political parties and the question of regional autonomy. There was also the drafting of the electoral law. The first important step which Mr. Suárez took after he became

Premier was to grant an amnesty, after a party presented its statutes in the Interior Ministry. The cases of dubious parties like the Communists were forwarded to the Supreme Court. The government thought that it had got itself off the hook by referring sensitive cases to the courts, but magistrates did not take kindly to being drawn into political decisions, and they sent the issue back to the government.

With the ball back in his court, Mr. Suárez weighed up the pros and cons of legalizing the C. n. m. and decided, while millions of Spaniards were enjoying Easter weekend, to legalize the party. Coming only a week after he disbanded the National Movement on the 38th anniversary of Gen. Franco's Civil War victory, the move was the final straw for the right.

The Movement had monopolized political life since the war. With an annual budget from the state of over \$130 million, 8,000 delegations scattered throughout the country, and a vast bureaucratic organization, the Movement was indeed powerful and its continued existence a threat to the viability of the elections.

Not only had Mr. Suárez the audacity to disband the Movement, brainchild of Gen. Franco, but he apparently took the decision on the Communists without consulting with the military ministers, although the liberal military Vice-Premier, Lt. Gen. Manuel Gutiérrez Mellado, knew of the decision. The legalization

provoked a harsh rebuke from generals, who agreed after meeting into the early hours to accept the decision with a "certain reservation" and "for the sake of patriotism." The Navy Minister, Adm. Gabriel Pita de Veiga, resigned, claiming that the first he knew about the decision was when he heard it on television.

It was the most serious crisis of the last six months, disproving, if any proof were really needed, the myth that the armed forces were not involved in politics. For the old Francoist generals, Communism—public enemy No. One—which they had defeated in the Civil War, was now back with them. Mr. Suárez weathered the storm well, waiting until the dust was settled before making a televised speech, remarkable because for the first time in many years a Spanish premier explained his reasons for taking an important decision. He said he had taken the decision because "it is not good in politics to close your eyes to what exists."

It was a realistic approach. The last six months have in relative terms seen roller-skater changes. To the government's credit the changes have occurred without too much upheaval although the political violence, particularly in the Basque country, is a worrying factor. Gen. Franco said some time before he died that "all is tied up, well tied up." But many knots have been loosened if not completely untied.

The legalization

IBM in Spain.

IBM started business operations in Spain in 1926. Today it employs over 2,900 people. People who are dedicated to satisfying the office equipment and data processing needs of Spain. These employees work in a manufacturing plant, education centers, a scientific center and numerous sales and support offices throughout Spain.

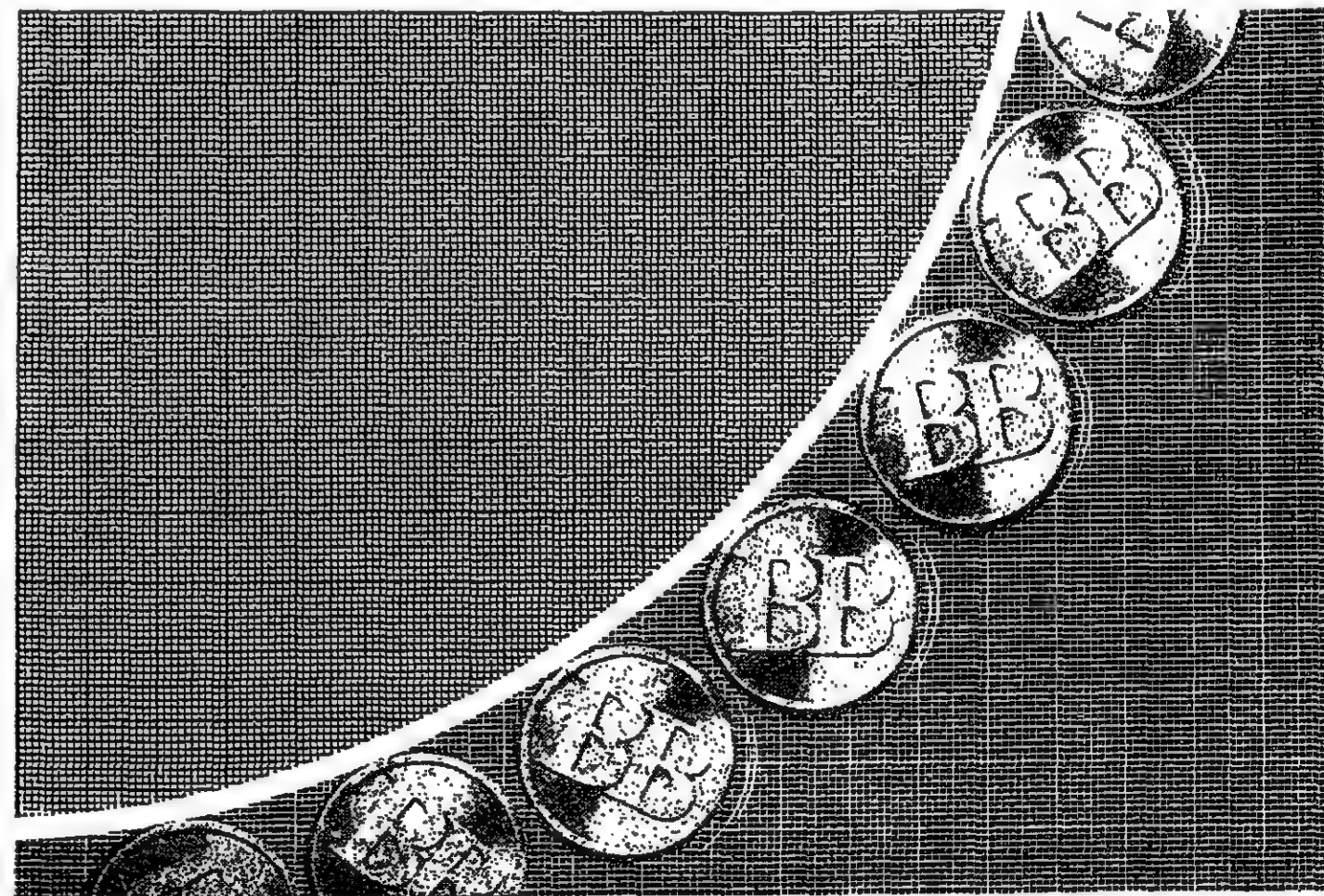
Their efforts are not limited to the national boundaries of Spain. In 1976 the employees of IBM Spain helped produce products and services sold outside of Spain worth more than 1,621 million Pesetas.

The computer today is a development of world-wide efforts not limited to any one area, country or continent. There is a constant interchange

of ideas, people and expertise between users of computer systems and their manufacturers. This international interchange has helped IBM develop products that serve a world marketplace. Our commitment to producing a world-wide product line is based on a free exchange of computer technology and the opportunity to market products in a free economic environment.

As a part of the IBM organization, IBM Spain makes a significant contribution to our operations throughout the world and to the economy of Spain.

IBM



Trust us to make your business run smoothly.

See your international business take off with BB.

BB stands for the Spanish bank with the greatest international experience.

BB brings you a 16,000-strong team of experienced personnel.

BB places at your disposal a nationwide network of offices in Spain, numerous offices in United Kingdom, France, USA, Germany and Italy and correspondents throughout the world.

BB symbolizes the Spanish bank with dynamic growth.

BB stands for Banco de Bilbao: the bank that can make your business run smoothly.

PRINCIPAL LONDON BRANCH

36 New Broad Street

PRINCIPAL PARIS BRANCH

29, avenue de l'Opéra

NEW YORK AGENCY

General Motors Building

767 Fifth Avenue - 6th Floor

RELACIONES FINANCIERAS

INTERNACIONALES

International Finance

Alcalá, 16 - Madrid-14 - Spain

COMERCIO EXTERIOR

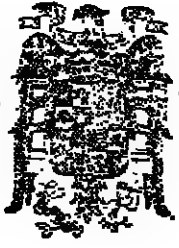
International Trade

Alcalá, 16 - Madrid-14 - Spain

Established in 1857



BANCO DE BILBAO



Industrial and Agricultural Strengths Complicate EEC Candidacy

By David Haworth

BRUSSELS (IHT)—It is taken for granted here that, following the further enlargement of the European Economic Community with Greece and Portugal being taken into membership, Spain will also join the Common Market. It is equally taken for granted that the negotiations with the Spanish will be prolonged and arduous. Of the three potential new EEC members, Spain represents much the most formidable problem—not through weakness but because of its actual and growing industrial and agricultural strength.

Since Gen. Franco's death the European Commission has assumed that, barring violent revolution, the Spanish would one day want to restate what the Madrid government has described as the nation's "European vocation" by becoming a community member. There is also the distinct though related possibility that Spain may join NATO—a development for which the United States in particular has been pressing behind the scenes. This, too, would be part of that vocation, given that the country is already much less isolationist than it was and seems determined to establish, however slowly, what EEC officials often refer to as its "democratic credentials."

But there are no illusions that Spain has still a long way to go before critics in EEC capitals will be satisfied. "There has been a suspension of hostile comment by EEC member governments about what is happening in Spain," a senior EEC official says. "But no one should believe that this unofficial truce will last much longer. Because of the country's history, its size, and economic power, Spain can expect to undergo a much more rigorous examination by the EEC than it seems prepared to give either Greece or Portugal."

The argument goes that in a pinch the Portuguese and Greeks can be allowed into the community without too much economic damage to the existing members

if by the time they are ready to join, the recession is alleviated, if not over. But this cannot be said of Spain, the impact of whose membership would put immediate pressure on the two crucial areas of EEC industry and agriculture.

Long-Standing

Spanish ambition to join the EEC is not the result of Gen. Franco's demise. It has been a long-standing intention whose genesis was in the unsuccessful application in 1962 by the Spanish for an Associate status similar to the kind granted to Greece and, later, to Malta, Turkey and Cyprus. Although unsuccessful, it put the EEC on notice of Spain's ultimate ambitions. Five years later negotiations between Madrid and Brussels were opened for a preferential trade agreement, a deal which was signed in 1970. Its purpose was to establish a progressive elimination of trade barriers between Spain and the community, but not a customs union explicit in an Association Agreement. However, following Gen. Franco's death in November, 1975, the tone of the community and Spain improved considerably.

The following February, the Spanish Foreign Affairs Minister visited the Common Market capital to hold talks with the then Commission president, Mr. Francois-Xavier Ortoli. It was on this occasion that the Spanish unequivocally announced their intention to make an eventual membership application.

EEC officials assume Spain will make a formal application for membership in the fall of this year, probably in October. Private discussion with Spanish diplomats confirms this impression. It will then be the EEC's task to prepare an "opinion" about such an application, a task which will hardly take less than a year, and then the entry negotiations will begin in earnest. The best guess by Commission officials is that Spain will join the EEC between 1983 and 1985. This timetable could be delayed, but it will not be speeded up. Because of Greece and Portugal, the EEC has a natural interest in delaying for as long as politically possible getting to grips with the problems of Spanish membership. Certainly long before that the Commission will have to have formulated an enlargement strategy

which will suggest ways in which the EEC institutions can be adapted for a Common Market of twelve.

The Nub

For this reason community industrialists are on the whole keen that Spain should join the EEC as soon as possible and thereby be brought under the authority of the EEC's rules of competition which would prevent "unfair" undercutting by the Spanish. On the other hand, EEC farmers have an interest in seeing Spanish membership delayed as long as possible. They are in no doubt that the EEC's common agriculture policy would have to be reformed considerably to accommodate Spain—a process which could be uncomfortable for the farming community throughout the EEC. For their part—and this will be the nub of the entry negotiations—the Spanish want to protect their still comparatively young industries and continue with their agricultural exports. In essence the EEC will want neither of these Spanish objectives.

Unlike the negotiations with Portugal and Greece—which, it is accepted here, are doomed to succeed—this same imperative is not taken for granted in Spain's case. No one can predict the outcome of what will be tough negotiations with Madrid, but the EEC at least considers there is a possibility they might fail. Indeed, the prospect of entry talks with Spain has hardened the EEC's attitude towards the Portuguese and Greeks. EEC officials are determined that those negotiations should not set any precedents on which the Spanish could rely and exploit when their turn comes.

It can be seen that the EEC fears Spanish economic strength, but it is also equally anxious about Spanish weaknesses. There is the agricultural and industrial competition which Spain could mount (the nation ranks eighth in the West's industrial league), yet there is also the prospect of having to deal with a common agricultural policy which has a decidedly Mediterranean bias with all that implies in terms of over-production of wine, olive oil and fruit, plus the heavy drain on the EEC's social and regional funds which Spain will

cause. Both these issues pose the unwelcome question of whether the EEC is really capable of further enlargement. Might it not become little more than a free trade area with a few political trimmings like the European Parliament? Undoubtedly the nature of the community will change; will it alter destructively or creatively? No one knows, but the dangers are self-evident.

Gloomy

A gloomy interpretation of them has been provided by the United Nations Economic Commission for Europe, which in a recent report concludes that the Southern European nations—Greece, Portugal and Spain—have not had "entirely satisfactory" economic results. The study cites exports to industrialized Western European countries of manufactured products from Spain and Portugal, comparing them with exports from countries in competition with them, notably the developing nations. It comes to the conclusion that the latter are developing their exports more rapidly than the Spanish themselves view these questions. At the moment the

backwardness compared to southern Europe through the qualitative composition of their exports. In short, the UN Commission feels that a sustained swing in Spain, Greece and Portugal of the kind which occurred with some regularity in the post-war years may not be seen again until at least the end of the decade. It concludes that the economic climate in those countries has changed in such a way that it is now more difficult to achieve—simultaneously—rapid growth, low unemployment and stable prices.

This is an unfortunate backdrop for the enlargement negotiations. Certainly it strengthens the hands of those—in Italy and Ireland especially—who already insist that the community must not pay any price for increasing its membership and that there must be a continued and even greater transfer of resources from the richer to the poorer members. The prospect of Spanish EEC membership inevitably puts such questions into focus. So far there has been no indication from Madrid about how the Spanish themselves view these questions. At the moment the

Spanish government, ed with establishment faith in relation to nity. It has not gic indications of r mands will be once tions get under way.

The attitude of the community, especially in government, also p of question marks o tations with Spain. is generally accepted words of the British James Callaghan, "s down the road toward democracy," albeit hardened once it became problematic it will b the Spanish into the . not be easy to maintain tions between politica nomic issues when the rough. The political Spain in joining the E vious, but it must be that they are less of the community, and i terms Spanish memb be—at best—a mixed l both parties, accordi officials. If this seen assessment for the e Spanish, it at least has of being a realistic or

NATO: Members, Government Weigh Merits of Alliance

MADRID (IHT)—The question of whether Spain will become a member of NATO is, like so many other important issues in post-Franco Spain, markedly unclear. The Suarez government has no official policy over the matter and, like the issue of Spain's membership in the EEC, it will be kept in abeyance until the democratically elected parliament takes a decision.

The NATO question is a politically sensitive subject and the government, while generally believed to be in favor of Spain's membership, has preferred to shelve the matter while at the same time keeping all options

open. NATO members are unwilling to discuss Spain's supposed interest in joining until, when, and if the democratic process is consolidated. The Spanish government is aware that to clearly pronounce in favor or against joining would be to invite criticism from the country's emerging political forces. The mood of the country towards NATO and vice versa will not really be known until the political coloring of the next government is clear.

What happens in the Iberian Peninsula and especially Spain is important to the West. Now that Spain is struggling off the vestiges of the old regime her role in the western Mediterranean is a vital one in maintain-

ing a proper balance of forces to counter the increasing Soviet influence. The Soviet Union knows this and is worried by the prospect of Spain's presence in NATO.

NATO's gap in the western Mediterranean, created by the withdrawal of France from full participation in the defensive system, has been exploited by the Soviet Union, whose fleet has increased its activities in that area. France previously supplied the command structure with the Western Mediterranean command under the Allied Naval Forces Southern Europe in Naples. As a report presented to the Assembly of Western European Union two weeks before

Gen. Franco died by Julian Critchley, a British Conservative M.P., stressed: "The Spanish Navy could undoubtedly make a valuable contribution to the NATO naval forces available in the western Mediterranean."

'Key Defense Point'

Mr. Manuel Fraga, the former interior minister and now head of Spain's most powerful center-right grouping, the Popular Alliance, said a few months before Gen. Franco died: "I think it is generally agreed that the Iberian Peninsula is a key point in the defense of Europe and of the northern and southern Atlantic and it is obvious that were the

peninsula to lend its support to the Eastern bloc (most improbable) the Mediterranean could be closed and the entire defensive system of central Europe placed in serious jeopardy. . . . My government's point of view is quite clear: Spain ought to be either in or out of the Western defensive system."

Mr. Fraga said in February that Spain must become a NATO member in order to protect the organization's southern flank—"a role that does not please the Soviet Union or its faithful servant, the Spanish Communist party."

As long as Gen. Franco was in charge of Spain, the position of the NATO bloc as a whole was clear—no deal until the totalitarian regime was finished and a pluralist democracy established. Admiral Stansfield Turner, former commander in chief, Allied Forces Southern Europe, voiced most members' aspirations when he said a month before the dictator died (November 1975) that Spain's presence in NATO would be a "big help"—her naval forces would be particularly appreciated to fill the Mediterranean gap.

Spain maintains large armed forces compared to the size of the population and its limited garrisons overseas. The armed forces total 302,000, according to latest available figures, largely conscripts serving for 18 months. The army numbers 220,000; the navy only 47,000 and the air force 34,000.

New Ministry

Each branch of the armed forces has its own ministry, but this is scheduled to be reformed. Lt. Gen. Manuel Gutierrez Melado, the military vice-premier, has said that a Defense Ministry will be created, but not in the immediate future. This forms

part of a much broader military reform plan, which has slowly been taking place since the dictator died. It is designed to bring the structure and the role of the armed forces into line with other Western European countries; making them more professional and less politicized.

Along with these changes is the move to update equipment. Spain relies heavily on the United States for tanks, aircraft and air defense. France and Spain have collaborated in making AMX-30 tanks near Seville and "Daphne" submarines in Cartagena for some years. Contracts were recently signed for the two countries to work together on "Mitan" anti-tank and anti-aircraft missiles. Spain acquired the last of 30 Mirage 111 and 24 Mirage F1 planes at the end of 1976.

Spanish defense policy has been based mainly on the defense agreements with the United States since 1953. The agreement which now has treaty status instead of a bilateral relation was renewed in January 1976, authorizing the United States to continue to use military bases in Spain until 1981.

The U.S. bases agreement means that Spain has indirect links with NATO through the United States-Spanish joint defense committee to which the commander of the U.S. forces in Europe acts as military adviser. Spain also has defense links with France through a protocol of collaboration which involves joint exercises. It is probable that the bases agreement would have to be renegotiated if Spain joined NATO.

Disadvantages

While NATO countries would like to see Spain as a member, they are aware of the political disadvantages of associating too

closely with Spain before racy is really established would have the effect of mining public confidence in the member and probably turn emocratic public opinion against the alliance.

Ironically, while NATO becomes worried about the future of the Iberian Spain has reestablished friendly relations with the Soviet Union, Hungary, Rumania, Poland, Czechoslovakia and Bulgaria, as the civil war, have been established, showing Spain has come out of phobic isolation behind since Gen. Franco.

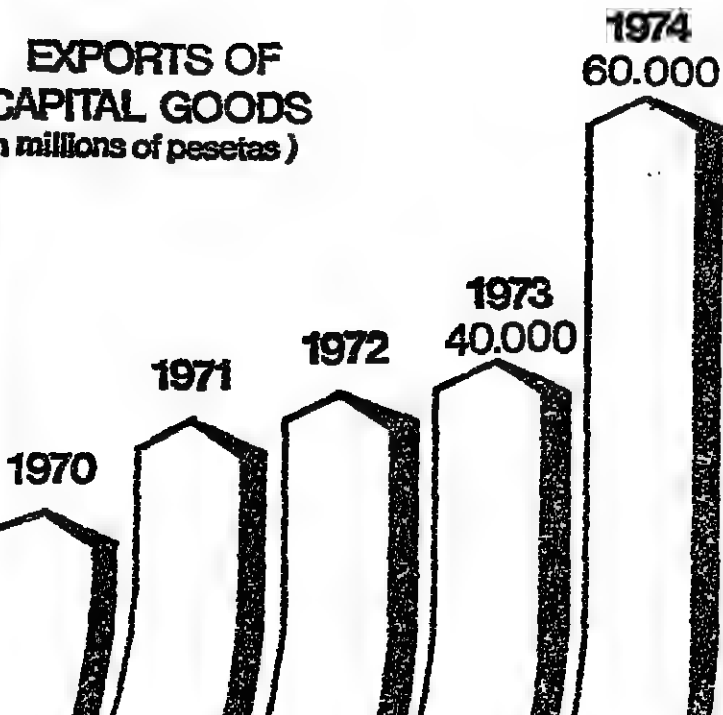
The greatest obstacle changing ambassadors v cow under Gen. Franco question of the Span which the Republican ment sent abroad in 1 the outbreak of the (Franco vowed that he w allow a Soviet ambassa took in Spain until the returned. The Soviet ment has always main the gold (worth about lion at the current fre price) was used to pay materials for the Repu

Relations were establis Mexico in late March years. The move came American government as no longer recognize the of the Republican govern exile in Mexico. More will be an exchange of sadors with Israel bec pressure from the Ara tries, whose favor Spain, to court because of her oil.

The great advances n the diplomatic front and creased awareness of Eur naturally linked the Fran

SPAIN
A Nation Forging Ahead
In The Difficult Seventies

EXPORTS OF
CAPITAL GOODS
(in millions of pesetas)



In spite of intense international competition, it is in the development and manufacture of capital goods that Spanish industry has chalked up one of its greatest success stories.

Spanish exports of machinery and industrial equipment have multiplied more than 30 times in the past 10 years, and many of the world's most important industrial nations are shopping for capital goods in Spain today.

If, as most economic experts agree, capital goods production is a yardstick to evaluate a country's development, Spain's record speaks for itself.

Banco de Vizcaya

SPAIN
INCORPORATED IN 1801
HEAD OFFICE: GRAN VIA, 1 - ELBAO-1
CAPITAL: 10,143,838,500 PESETAS
RESERVES: 12,178,194,915 PESETAS
587 OFFICES IN SPAIN

INTERNATIONAL DEPARTMENT
Paseo de la Castellana, 114 - Madrid-6
Tel. 2746300/9 - Telex 22571 - 42382

INTERNATIONAL OFFICES NETWORK

LONDON BRANCH
75-79 Coleman Street
Tel. (01) 6284566/9 - Telex 885245/6
London EC2R 6BL

PARIS BRANCH
15, Avenue Matignon
75008 PARIS - Tel. (331) 3599832

NEW YORK AGENCY
400, Park Avenue - New York, N.Y. 10022
Tel. (212) 826-1540 - Telex 66199 - BANCAYA

REPRESENTATIVE OFFICES

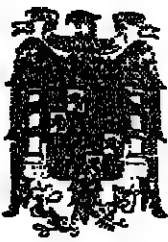
MEXICO
Avda. Juárez, 4 - México, 1 D.F. Tel. 5850030

VENEZUELA
Avda. Francisco Miranda - Edificio Torre Europa
Planta «Oficinas» - Oficinas 7 y 8 - CARACAS
Tel. 334353 - 332508 - Telex 23532 - BAVIZ-VE

Contact: CEDIN (Centro de Documentación e Información del Comercio Exterior) TRADE INFORMATION CENTRE, Almagro, 34, Madrid 4 - 4194421 - Telex 44185 ODEX or the Spanish Commercial Offices or Chamber of Commerce in Bonn, Frankfurt, Berlin, Vienna, Brussels, Paris, Copenhagen, Helsinki, Marseilles, Bayonne, Athens, The Hague, Rome, Milan, Oslo, Warsaw, Moscow, Lisbon, London, Bucharest, Stockholm, Bern or Zurich. They'll explain how...

YOUR BUSINESS CAN PROFIT FROM SPAIN'S PROGRESS

ملكي من الملوك



The Hope Is for a More Stable Economy Following the Elections

d from Page 1.) negotiate on "political" likely to be the leak in Spain's my. application of tough one will not be also a question of iards to understand as of the situation rate in overcoming ne advent of democ n the risk. monthly report on economy, the Bank ud. "The establish- social pact is ab- sary in order to be the restrictive mea- he economic situa- And that social possible only if- ing workers, land- d businessmen, all their willingness to try's interests ahead immediate gain. Viscaya report ex- gency of the need: ly delay in apply- corrective measures, the part of the mment, but ever- ming of the crisis such measures be- and necessary, has sive deterioration n economy.

al Problems

ent is now nud- of the work force, still on the rise: up 1976 with an most 20 per cent in res, the new index rent up as high as the foreign-currency st year is probably dition. A lag in in- still acting like a n economic activity al all the structural de- 1976 are still there, serious attempt have to solve them." ublished by another anco Urquijo, was less pessimistic: ard to productive is reason to expect semester that the improvement which oleable for some time, although the l be threatened by ce of the basic on- sors of our econ- the balance of pay- unemployment." n leaves the devel- ing the second se- out depending on elopments; but it hope that the post- ment will "formu- the economic policy utive preference to- blem of inflation, esures, to the in- of a social pact mplementation of a oy which suits the a clearly anti-infla- am." according to the o report, will it be toke the problem it balance of pay- finally, reactiva- nd production, with reduction of the t level.

stable

ank of Santander— another recent re- a general survey quarter of this year tion continues sta- ble, with a ten- dency towards re- investment schemes rs... although a vement in the in- or may be noted.

hat, at the moment, ation of rates of d not be convenient it is thought that ould have a damag- on the already de- k market, on the t and hence on the t to industry—in ad- y indirect effects up, some positive fac- out: the encourag- trade: the improved sors by exports: the uence of the reduc- of imported oil production thanks to ed reservoirs: the a favorable harvest. unction in industrial

negative side, once sistance of inflation ut and the loss of eney must be borne pines continue to be ingredient in any facts watched to- an analysis of the d future economic Spain.

Labor

ber of labor disputes arly doubled last year, total of 1,568, com- 865 in 1976. Strikes a loss last year of 110 n-hours. According to the average hourly go increased by 31 per cent between 1974 and 1976 with the OECD 12 per cent and the go of 8 per cent. Over- tion costs have gone per cent in the period.

1973-76 in Spain, compared with an increase of less than 23 per cent in West Germany and less than 35 per cent in the United States.

The chances of working out a social pact are directly related to the political situation. The newly legalized trade unions, in their anxiety to show that they are better for the workers than the old vertical state-run unions, are aggressive in their demands and they are prone to make grandstand plays in the effort to recruit more members, even in cases in which their leaders realize that the situation in a given factory or industry seriously limits the concessions which management can grant.

Influences from abroad do not offer a very bright picture either. With many countries taking measures to reduce imports in order to be able to pay their fuel bills, and with Spain's trade deficit already immense, and with inflation undermining Spain's competitive position, Spanish manufacturers and exporters will have to make a gargantuan effort indeed if they are to meet the government's goal of holding down the increase in imports to not more than 3 per cent in real terms while increasing the gross industrial product by nearly 4 per cent. The difficulty is more evident after a glance at last year's figures: imports rose by 5 per cent while the gross industrial product rose by only 2 per cent.

Considered sector by sector, the industrial panorama shows mixed reactions, although the overall tendency is not encouraging. Electric power production increased in January by more than eight billion kw, compared with January, 1976, while in the same month the consumption of petroleum products decreased by nearly 3 per cent compared with January, 1976. On the surface these figures might suggest a turn for the better as well as a sign of recovery. But the figures do not tell the whole story.

Energy

In fact the decrease in fuel consumption was nothing more than an accident. The year 1976 was a wet one, following several years of drought, and Spain's reservoirs began filling up. They are still full. As a result, more hydroelectric power is being produced than in previous years. Coal or oil-fueled generator stations produced 47 per cent less electricity this past January than they did in January, 1976, and nuclear power centers produced 22 per cent less.

So the fuel saving was a gift of nature, and no thanks to the Spanish people. As a matter of fact, while the full reservoirs indirectly reduced the consumption of fuel oil and liquefied gases last January, the month's consumption of diesel fuel rose by nearly 26 per cent and that of gasoline by over 3 per cent. The oil crisis may be hurting business; but the average Spaniard shows no sign of economizing on gasoline, even with the cost of 36 octanes at 31 pesetas (46 U.S. cents) a liter.

The future does not look terribly bright for the iron and steel industry, notwithstanding the fact that last year turned out to be better than expected. The 911,000 tons produced last February were 45,000 tons less than in January. The bubble of optimism which swelled in January, on the basis of 14 per cent more production than during the same month of the previous year, has burst.

Pinning Their Hopes

On the whole, the output remains inferior to that of 1974, the year when the petroleum squeeze first began to be felt; and Spain's steel production capacity has been infra-utilized ever since then. Economic planners here are pinning their hopes on a reactivation or continuing climb of the West German, American and Japanese economies, which would ideally lead to enough sales abroad to maintain current production levels at least.

However, 1976 was a reasonably good year for the automobile industry in Spain, in spite of the recession. Sales topped even those of the record year of 1973, and those did exports of motor vehicles and automotive parts. This bright trend continued through last January, a month in which 22,124 units were produced. The biggest increases in the sector were in the production of industrial vehicles (up nearly 178 per cent in January compared with the same month last year) and buses (up nearly 138 per cent in January compared with the same month in 1976). Spain moved into tenth place among the world's producers of motor vehicles in 1976, according to a study made by the Frankfurter Allgemeine Zeitung.

Construction is in the doldrums, and there is no sign of short-range improvement, but 1976 was a better year for construction than 1975. During the past year the building industry did 16 per cent more business than in the previous year, which—according to the Bank of Vizcaya—means

The 'brain drain' is more severe in Spain than in most other Western European countries, and neither the government nor business seems to be concerned enough to do anything about it. . . Britain spends 2.2 per cent of its GNP on research and the United States spends 3.1 per cent; Spain spends only 0.3 per cent.

that the real gain was less than one per cent in terms of constant pesetas. But even that was a boom, following a loss of more than 4 per cent in volume in 1975.

Economic forecasters say that building costs will rise by as much as 19 per cent in Spain this year (three points more than last year), considering the higher cost of labor and materials.

Bright Spot

There is one bright spot in the construction industry: the government has promised to speed up payment of back debts for public works.

Spain's small but firmly established aviation industry is expected to continue to grow despite the harsh economic climate. The biggest Spanish aircraft manufacturer is Construcciones Aeronauticas S.A. (CASA), a company in which private capital shares ownership with INI (National Institution for Industry), the state-run industrial cartel. CASA's future is assured primarily because one of its major activities is the repair and overhaul of the U.S. Air Force planes in Europe. The company also manufactures the Northrop F-5 short-range fighter, as well as Spanish-designed aircraft like the C-212 Aviocar, a propeller-driven light cargo plane with short-take-off-and-landing characteristics.

Spain has sold 122 units of this plane so far, all of them outside the European Economic Community. One of the latest sales was to Nicaragua, which bought five, complete with pertinent equipments and spare parts, for \$8 million. The Nicaraguan government intends to use the planes to help promote social and economic development in poorly-communicated zones of the country. Other buyers are Indonesia, Portugal and Jordan. And

of course the Spanish armed forces use the Aviocar.

Another CASA product, the C-101 trainer and assault plane, is almost ready to be marketed.

Spain's aircraft industry also has direct ties with Europe, including Spanish participation in building the European Airbus and in the development and manufacture of components for satellites.

In the sophisticated field of equipment for space vehicles, Spain is coming into its own. One of the latest accomplishments of Spanish aeronautical engineers is the design of flight-control equipment for a satellite project which is being undertaken jointly by NASA and the European Space Agency.

Ceramics, a dark horse of Spanish manufacturing, is moving ahead fast. Ceramic tile exports have grown from 25 million pesetas (less than \$400,000 at current exchange rates) in 1967 to 3.8 billion pesetas (over \$56 million) in 1976. Related industries, such as glassware, are also buoyant, although not spectacularly so. The 1.4 billion pesetas (nearly \$21 million at current exchange rates) worth of glassware sold abroad in 1976 roughly matches the figure for glassware exports in the first half of last year, 1.3 billion pesetas (nearly \$20 million).

Leather

Another surprise contestant in the race for export markets is the leather industry. Leather goods are now Spain's third biggest export, behind agricultural products and refined petroleum products. The leather goods industry exported over \$687 million worth of its production in 1976, with the United States and the EEC being the principal customers.

Exports of transport material were more than 48 per cent down in January, compared with the

same month of last year, in spite of the reasonably healthy state of affairs in the automobile industry. The difference was the result of the decrease of more than 80 per cent in the exportation of ships.

The shipbuilding industry is sinking fast, and it is of small consolation to Spanish shipbuilders to know that they are by no means alone in the shipbuilding crisis. Spain produced 179 ships last year, with a total dead-weight tonnage of 1.3 million. This represented a drop of 23 per cent when compared with the 1975 figures. This year is expected to be even worse. In January, 1976, the order books called for the construction of 650 ships for a total of 4.5 million dwt; in January, 1977, there were only 357 ships on order, totaling 3.3 million dwt. Orders have gone down dramatically since April, 1974, when the books called for the construction of 7.6 million dwt. The current orders for 2.3 million dwt are very low, considering that two million dwt are already in an advanced stage of construction, and that 65 per cent of the total are oil tankers, which are less expensive per ton than smaller ships.

Construmavas, the government's central office for coordinating shipbuilding, says that unless new orders and more investment are forthcoming, the industry's decline will be inevitable and irreversible.

One strike against Spanish

manufactured goods is that they represent little innovation and are always one step behind the latest industrial processes. This is because nearly all Spanish manufacturing is carried out under foreign license. There is a distinct shortage of technology "made in Spain" because hardly any industrial research is carried out in this country.

Spain's engineers, scientists and inventors are as good as any, but Spanish businessmen are loath to spend money on research. They prefer to rely on tried and true foreign know-how, and this means that almost all Spanish manufactured products are mere copies of such items made elsewhere.

Research

The "brain drain" is more severe in Spain than in most other Western European countries, and neither the government nor business seems to be concerned enough to do anything about it. Whereas, according to statistics published by the Independent Madrid newspaper El Pais, Britain spends 2.2 per cent of its GNP on research and the United States spends 3.1 per cent, Spain spends only 0.3 per cent.

Furthermore, according to Comentario Sociológico, a periodic study published by the Spanish Confederation of Savings Banks, "Spanish technology does not find any support when an opportunity arises to export it, and consequently Spain is missing

magnificent opportunities to present successful bids in international competitions—and not because of a lack of ability to handle such projects, but rather because of the absence of an adequate judicial and fiscal framework to allow and foster this kind of operation abroad.

In spite of all the drawbacks, however, Spain's engineers are not entirely absent from the international scene. The Spanish government recently concluded a deal to build a railway for oil-rich Venezuela and another to build a cement plant for Chile. A contract to build a liquefying plant for natural gas in Iran is close to the signing stage. That contract reportedly includes five methane tanker ships for Iran. SEAT is building an automobile factory in Egypt.

Drain of Capital

With production running far below capacity in most industries and with costs constantly rising, it is hardly surprising that profits are shrinking. On average, they were down for the third year in a row in 1976, and this year they are expected to keep dropping.

According to a study made by the Bank of Vizcaya, profits were 12 per cent less on average in 1975 than in 1974. In late May, the weekly news magazine Cambo-16 quoted Emilio de Khara, chairman of the board of the Bank of Bilbao, as saying that the decrease in profits in real terms amounted to about 50 per cent over the past two years for the average Spanish firm.

Those factors have not only led to a reluctance to invest in industry; they have also led to a drain of Spanish capital, much of it to Swiss banks, which the government has been almost totally unable or unwilling to con-

trol. Reports of people being caught by police at Madrid's Barajas airport as they attempt to leave the country with suitcases jammed full of money are far from unusual, and those reports only tell about those who did not get away with it. Others use more sophisticated methods of expatriating their riches.

Like everything serious in Spain, the flight of capital is a frequent subject of jokes. Spain's leading cartoonist, Forges (Antonio Fraguas to his neighbors), is the author of a popular record about "Switzerland, Before and After" of capital.

Industrial investment was off by nearly 2 per cent in 1976. Bad as that sounds, it was actually an improvement over 1975, when it had dropped by more than 3 per cent. Private savings registered a descent in 1976 for the second year in a row, and that trend is likely to continue this year.

Even short-term predictions about the economy are hard to make because of political uncertainties.

No one can say for certain when the vitally needed economic control measures will be taken, and there is no way of knowing how effective they will be.

"This combination of problems," as Madrid businessman Max Mazin told Cambo-16, "is still causing havoc on the balance sheets of business, since there has not been a post-Franco government strong enough or capable of facing the economic problem with decision."

"With this political and electoral bungle that we are living through, the economy has come to be of so little importance that when we wake up to reality on the 16th of June, we are going to have a headache and such a big hangover that I don't know what kind of medicine we will be able to find to make us well."

For business in Spain
come to the Bank
with branches
in more EEC's countries
than any other Spanish Bank

BS

BANCO DE SANTANDER

ESTABLISHED 1857

December 31, 1976

CAPITAL & RESERVES: U.S. \$ 332,416,000
DEPOSIT: U.S. \$ 3,579,384,000
PROFIT (before tax): U.S. \$ 71,985,000

520 BRANCHES THROUGH SPAIN

3 BRANCHES IN EUROPE

ENGLAND
30 - 32 Watling Street - London, EC4P
Manager: George M. Gunson

FRANCE
30, Avenue de L'Opéra 75002 - Paris
Manager: José Luis Gomez

GERMANY
Rossmarkt, 9 - 6 Frankfurt/Main - 1
Manager: Hans H. Seitelmann

6 SUBSIDIARY BANKS

IN AMERICA
Banco de Santander - Argentina (11 branches)
Banco de Santander y Panama (5 branches)
Banco de Santander - Puerto Rico, N.A.
Banco Condal Dominicano

IN SPAIN
Banco Intercontinental Español
Banco Comercial para America

13 REPRESENTATIVE OFFICES

IN AMERICA
New York, Mexico, Lima, Buenos Aires
Caracas, Bogota, Santiago de Chile, Guate- mala, Sao Paulo and San Juan de Puerto Rico.

IN EUROPE
Brussels, Geneva and Vienna

FINANCE COMPANY: Santander Finance, S. A. Geneva

INTERNATIONAL DIVISION: ALCALA, 37 - MADRID

NUEVA ANDALUCIA— PUERTO BANUS

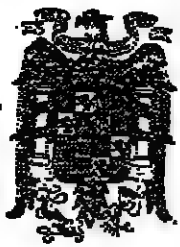
Marbella - Costa del Sol - Spain

Investors alert!

Is your money working for you?
In hard times... look for stability!

- SPAIN, a country where your investment is safe and available at your request.
- MARBELLA, an area where the increasing demand assures continued growth and substantial capital gain.
- NUEVA ANDALUCIA, the most established and international resort, with the benefit of 10 years experience in building and administration.
- A Marina for 1,000 yachts.
- Two championship golf courses.
- A mile-long private sandy beach.
- Water sports, swimming pools, tennis, riding.
- Bull-ring, night clubs, flamenco, luxury hotels.
- Commercial center with every facility.
- Two hours from any capital in Europe.
- Superb apartments and villas facing our marina, bordering the beaches or in an intimate garden setting.
- Cash discount, 5-year deferred payment. Rentals.

For information & brochures: Mr. TOMAS, BANUS - NUEVA ANDALUCIA, Monte Esquinza 4, Madrid-4, Spain. Phone: 419-3700. Telex: 22899.



Current Trade Improvement Belies Weakening Export Position

MADRID (IHT).—Spain's foreign trade picture is showing some improvement, however fleeting, in spite of the generally sad state of the economy.

During the first quarter of this year, exports increased by a staggering 15 per cent over the figure for the same quarter last year, according to a report just published by the Banco Hispano Americano here. At the same time, the growth of imports remained within a healthy margin of only slightly more than 3 per cent.

As a result, Spain's disturbing foreign trade deficit was whittled down to \$7.3 billion, in contrast with the figure of nearly \$8 billion which corresponded to the first quarter of 1976.

Industrial output also perked up encouragingly during the first quarter, notwithstanding the negative influence of skyrocketing costs and labor unrest. The increase, compared with the same quarter of the previous year, was 13 per cent, according to the Banco Hispano Americano.

A recent report from that bank says, "The results of the latest survey of businessmen's opinions forecast a new recovery period in April and May. Order books have improved; and, although stocks have increased, management's expectations regarding production levels have improved considerably."

Too Good

Nevertheless, economists generally think the situation is too good to last.

One explanation for the sharp rise in industrial output during the first quarter of this year is that the first quarter of 1976, with which it is being contrasted statistically, was a period of severe labor trouble which interfered greatly with production; as a result, production during that period was much lower than might otherwise have been expected.

Imports totaled \$18.4 billion in 1976, or about \$1.3 billion more than in the previous year. Much of that increase was due to energy requirements: Spain's purchases of petroleum and petroleum products went up by 13 per cent in the year. Also, according to the Banco Hispano Americano, there were many "non-essential" imports of consumer

goods, unfinished products and raw materials, in reaction to the devaluation of February, 1976. These importations "were undertaken basically because... there was credit to finance them and an expectation that their prices would go up in the near future."

"In 1977, the factors which can unleash another wave of advance importations still exist and are even more pronounced than last year."

The bank's experts consider it "very probable" that imports will begin to increase rapidly after their rather moderate performance during the first quarter.

Warning

Notwithstanding the temporary spurt of export activity, the competitive position of Spanish exports is getting weaker all the time.

The latest economic news bulletin of the Bank of Vizcaya, published in the northern city of Bilbao, warns:

"It must not be forgotten that inflation is reducing the competitiveness of Spanish products abroad; this could once again accentuate the problem of the balance of payments at a moment when there is a threat of resurgence of protectionist practices in major countries. If this new economic nationalism spreads, it will harm everyone; and it is already beginning to have some effect on export potential and Spanish fishing."

On the positive side, the government headed by Premier Adolfo Suárez is rapidly tearing down old psychological barriers which limited trade. The recent establishment of full diplomatic relations with Mexico and Eastern European countries is interpreted as a good sign.

Opportunity

While Spain has been trading with these countries for years, the commercial relationship has been far from optimal, with political differences standing in the way of expansion of trade. With a total population of over 400 million, those countries represent a real opportunity for marketing Spanish products.

Up to now, the most common

system of payment in trade with Eastern European countries has been unfavorable to Spain, with Spain obliged to pay up quickly but its trading partners permitted to delay payments.

Full diplomatic relations will probably make it easier for Spain to work out better trading conditions.

Favorable Balance

In the present decade, the balance has been in Spain's favor in the relatively small amount of trade carried out with Mexico, as well as with Hungary, Bulgaria and Yugoslavia, although the balance has been a deficit one in trade with other Eastern European countries. Nevertheless, the export/import coverage has been better than average, with regard to both Mexico and Eastern Europe.

Among those nations, the Soviet Union is the best customer and the biggest supplier, although it did not surpass Po-

land in terms of exports to Spain until 1975. After those two countries come Mexico and Romania, followed by Czechoslovakia, the German Democratic Republic, Hungary, Bulgaria and Yugoslavia. Together the U.S.S.R., Poland and Romania supply about two-thirds of the products which this country buys in the Comecon area, and they purchase about three-quarters of the total of Spain's shipments to Comecon countries.

Last year the Soviet Union sold Spain \$181 million worth of goods (\$56 million went for petroleum) and bought \$88 million worth of steel, wine, grain and other goods from Spain; Poland sold Spain mostly coal and meat to the amount of \$123 million, and bought \$93 million worth of Spanish steel and farm produce; Romania sold Spain \$61 million worth of assorted goods—mainly meat, vegetable oil, wood and iron—and bought \$39 million worth of Spanish products, primarily steel.

Spain's total sales to Come-

con last year amounted to \$597 million (\$83 million more than in 1975), and Spain's imports from those same countries totaled \$422 million (\$34 million more than in 1975).

Revitalization

Yugoslavia, not a member of Comecon, bought \$29 million worth of Spanish products, principally vegetable oil, motor vehicles and aluminum manufactures, while Spain bought \$18 million worth of Yugoslavian goods, mostly wood. Mexico boosted Spain's trade balance by buying books, machinery and cars in the amount of \$61 million, while selling Spain \$34 million worth of farm products and coffee.

The commercial importance to Spain of the new relations can be inferred from the fact that, even while diplomats were still negotiating the exchange of ambassadors, there were already two Spanish commercial missions in Moscow, engaged in talks about

the revitalization of trade between the two countries.

Spanish-Soviet relations were first taken out of the deep freeze as far back as 1961, when Gen. Franco was still very much alive, although the thaw did not break through the permafrost. What started it all was a New Year's toast offered by the then Spanish ambassador to Paris, José María de Arellano, to his Soviet colleague, Sergei Vinogradov. By June, 1961, there was already a signed agreement authorizing restricted trade between the two countries.

An Agreement

The arrangement proved so satisfactory that in 1969 the Generalissimo approved an agreement authorizing ships of both nations to use port facilities in both countries; this blossomed into the permanent use of Canary Islands ports by the U.S.S.R.'s Atlantic fishing fleet. But it was not until May, 1976, six months after the Candillo had been buried,

that regular flights of Aeroflot were allowed to land in the Spanish capital.

Not surprisingly, oil is the major item on Spain's foreign shopping list, and it is expected to be so for some time. But, according to a report on the energy situation published by the Bank of Bilbao, "The balance of payments cannot stand the weight of the current dependence on petroleum" and "the nuclear option is inescapable in order to get out of the crisis."

Spain is also making an undisguised bid for better commercial relations with the Arab countries, utilizing its historic and traditional Arab ties in order to get a foot in the door. With offices of the Arab League and the Palestine Liberation Organization authorized in the Spanish capital, the political atmosphere in Madrid is conducive to improved commercial relations. To make Spain's interest even plainer, King Juan Carlos and Queen Sophia, Foreign Minister Marcel-

no Oreja and Commer Jose Liado y Fernand have all taken a spl Arab nations in the months.

The big question in economic and political have had a predilect effect on foreign invest a royal decree publi Official State Bulletin 21 contained "measure help to facilitate the foreign capital to th market."

On a cumulative United States remain ing foreign investor according to a U.S. I of Commerce report, U.S. direct investmen an estimated \$2 billion the basis of investmen 1976 alone. Switzerland the list, with \$35 millo by the German Feder; with \$33 million. T States was in third pl year, with direct inv \$30 million.

Bankers Criticize Government's Economic Negligence

MADRID (IHT).—As the economic situation worsens in Spain, the banking world is becoming more outspokenly critical of what many bankers see as a do-nothing policy on the part of the government.

Few criticisms could be more plainly put than one in the latest issue of the monthly economic bulletin of the Bank of Vizcaya, referring to the delay in publishing consumer price index figures for February and March, following a 3-per-cent jump in January. The bulletin said the delay was "a maneuver to hide the truth" and a "totally mistaken" move, adding that the delay was "perhaps the result of the government's continued insistence on not revealing the proofs of the failure of its economic efforts—or rather the proofs of the absence of such efforts."

In its bulletin for the first quarter, the Bank of Santander challenges official credit policy. After pointing out that "the economic strategy approved by the government" includes the "propos-

als of interest," the bulletin's anonymous author continues: "It is felt that the liberalization of interest rates would not be convenient for Spain at this time. It is thought that such action would have a damaging effect on the already depressed stock market, on the money market and hence on the cost of credit to industry."

There is a widespread conviction in financial circles that, as the elections draw closer, Premier Adolfo Suárez's government is totally neglecting not only the nation's economic problems but even its financial institutions.

Related Fear

Mr. Angel Gálvez, president of the Bank of Vizcaya, expressed a related fear at a recent stockholders' meeting, when he said, "It's time to point out the need and the urgency, whatever the political options being considered, of paying attention to the economic institutions, and especially to the one which has constituted the key to progress

and welfare in recent years and which—I must say this—is in grave danger of being destroyed."

He continued, "I cannot fail to mention at this time something of considerable importance which would have an effect in the future on political pluralism and individual freedom. I am referring to the specter of nationalization of banks and large companies, which, it is said, is the aim of certain groups."

He was typical of Spain's bankers today in that his attention was directed to short-term developments, or ones which he believes are possible within a short term. The pondered consideration of long-term objectives, such as Spain's eventual integration into the European Economic Community, which used to be a perennial theme in Spanish business publications, seldom finds its way into print any more, aside from the daily newspaper reports from Brussels.

The periodic bulletins put out by the various banks all seem to coincide on the need for certain rapid measures, as soon as

the elections are over, to restore order to the economy: measures to control inflation, to stimulate investment and exports and measures to inculcate a sense of responsibility in the new free trade unions, among others.

As for the future, Spanish bankers are aware that joining Europe will be a challenge which will come soon, but hopefully long after the economy has undergone a revival.

A group of economic experts of Europartners (formed by Banco Hispano Americano, Banco di Roma, Combank and Credi Lyonnais) met in Madrid to study the world economic situation. And, according to an economic news bulletin published here early this year by the Banco Hispano Americano, one of their conclusions was as follows:

"Spain's lack of financial equilibrium with respect to foreign countries (due to rising oil costs and reductions in tourist revenue and money sent back by emigrants) imposes the necessity of increasing the competitiveness of

manufacturing industries. In this way, Spain could prepare for its entry into the European Community in good shape, at a moment in which the evolution of its political climate seems to have dissipated the obstacles to its integration."

EEC Membership

Francisco José Manas López, executive director-general of the Pastor Bank, summed up his thoughts on the problems faced by Spain's banks and industry in connection with eventual full membership in the EEC, in an interview published in the magazine *Europa*; and his remarks probably reflect the feeling of many Spanish bankers on the matter:

"In the long run, Spain's integration into the EEC will undoubtedly benefit our country, and it will present the opportunity to consolidate the development of recent years by incorporating us into a stronger economy which will oblige us to rationalize the production frame-

work. And this is precisely short-term problem. T modulation of the Span trial (and even come tor to the European create problems for a which have not been modernize their product ods and organizations. ly. For this reason, an to keep difficulties to mum—I might add the perfectly logical if w mind the speed of S velopment—the proces gration should be st fully...

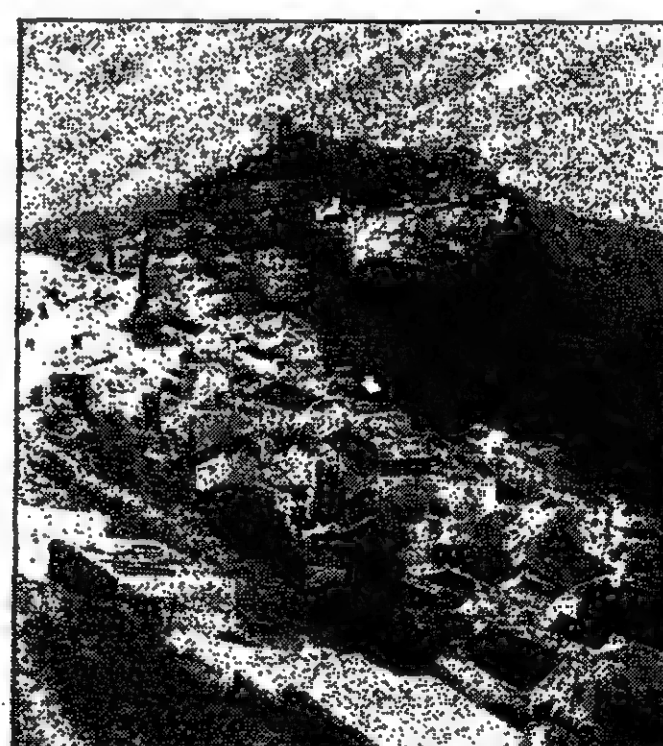
"It does not look as ish banks constitute which will run into the Spain joins the EEC. of service and their in acting in internatio cial markets is suffici tee of their capacity themselves outside the the country. Neverthel period prior to integr administration will ha careful consideration t of competence in the market."



Spain is dedicated to restoring what man, in his progress, destroys.



In Spain, the land is rich with 46000 miles of well-kept "little-old fishing holes."



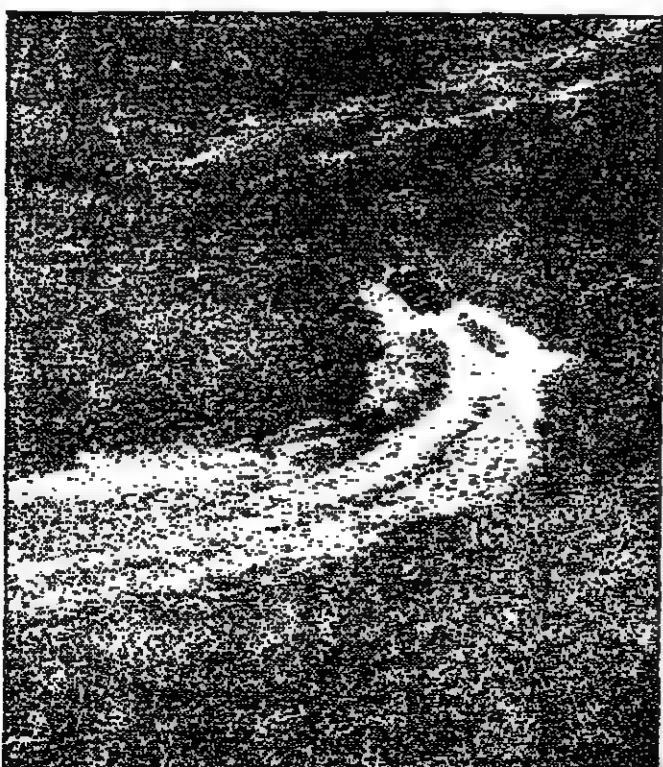
Hundreds of Spanish villages have preciously guarded the charm of their centuries-old stones.



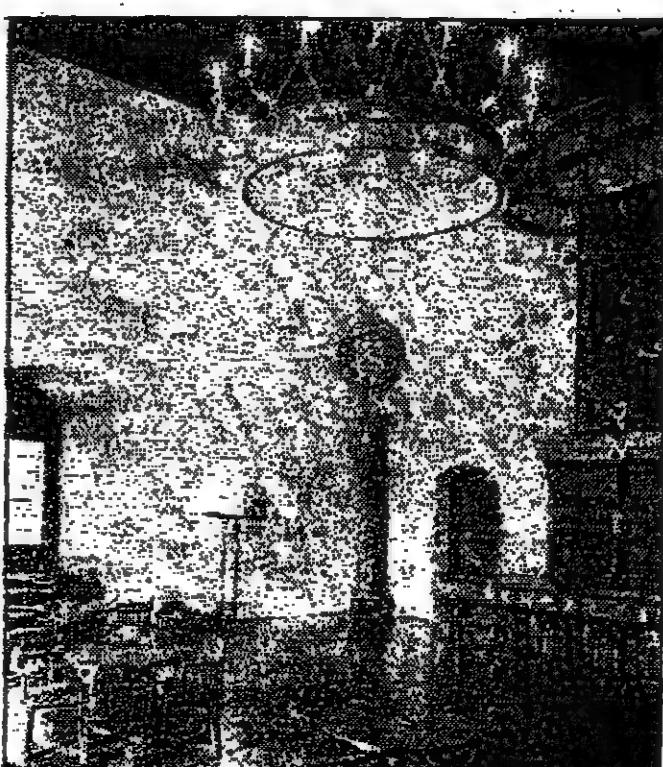
In Spain, architects traditionally create hotels that honour their natural surroundings.



In Spain, there are thousands of beaches where nothing but shells wash up on the sand.



Day after day, Spain takes loving care of her biggest natural playground.



Every year, Spain opens hotels built 800 years ago.

Spain will astonish you.

Spanish National Tourist Office:
43 ter, avenue Pierre 1^{er} de Serbie, 75008 Paris
Téléphone: 225.14.61-62-63-64

مكتبة في الجزائر



Three Professional Men View the Country's Past, Present, Future

from Page 1.)
It has lost a great
stige. It not all of
of its complexity
and the rulers...
desperate efforts
even heroic at
us at the bottom
draw closer and
a borderline like
urd for a practice
Christian, to cross
in cases, and we
f them, of priests
ad the line in an
d faith. I think
esperation—to re-
rence which they
r the people
illar: But what
church happen-
ponents of Span-

ish society. Spain's problem is
something which physicists refer
to as a closed system. . . . It re-
mained closed for centuries. There
was hardly any Renaissance in
Spain, and Protestant cults were
scattered by the Counter-Reforma-
tion and the church contribut-
ed decisively to keeping Spain's
doors closed. Especially Spain was
closed to Europe. Spain re-
mained closed through the early
decades of the Franco dictator-
ship. But there comes a moment
when it is no longer possible, and
Spain opens up—not for ideolog-
ical reasons but for economic
ones—and begins to send people
abroad so they can send back
money, and to bring foreigners
here so they will leave their money.
In addition to the money they

bring, people bring their ide-
ologies; and those who go abroad
to live then later return to Spain,
they too bring ideologies.
Mr. Chislett: There seems to
be an enormous generation gap in
Spain. . . . Do you think the gen-
eration gap will influence the
elections?
Dr. Alvarez Villar: Polls taken
in other countries show clearly
that there is a positive relation
between conservatism and age,
and between socio-economic sta-
tus and conservatism. The
younger the voter, the more he
tends to vote for parties of the
left. . . . We know that if 18-year-
olds are allowed to vote now, I
mean in these elections in fact,
we already know that the uni-
versity students (who now num-
ber over 400,000 in Spain. . . .) J
would vote for parties of the
left.



The group, from forward left moving to the right, Mr. Martin-Artajo, Mr. Suárez, Harry Debelius, Dr. Alvarez Villar and William Chislett.

ances we have seen on TV,
nobody wants to define his posi-
tion, and that's fatal. No matter
how democratic the elections are,
they are going to be so confusing
that nobody will be able to inter-
pret the results clearly.
Mr. Debelius: I'd like an opin-
ion about the economic problem
and possible solutions.
Mr. Suárez: The problem
in my opinion is that, no ef-
fort is being made at all to pro-
mote the only formula for salva-
tion which can be applied to
ruined or semi-ruined countries
like ours, which is to create in-
centives for production. This is
the heritage of 40 years of Fran-
cisco. Every historical situation
is the result of what is inherited
from the past. There's no doubt
that we are suffering from the
policies of the Franco era, at the
cost of all kinds of freedoms
which were stolen from the Span-
ish people or banned. . . . The
great tourist explosion in Spain
seemed interminable. . . .
Mr. Debelius: I'd like to ask
Jaime, who is indirectly involved
in one of the basic industries...
construction, for his opinion.
Mr. Martin-Artajo: As I see it,
there is absolute immorality, and
that's very important because
nobody wants to work for an un-
just cause. There are two prob-
lems in construction: One is the
construction industry itself and
the other is land speculation. . . .
While there have been some very
progressive and perhaps . . .
slightly disproportionate wage in-
creases, the rise has been greater
with regard to land values. . . .
The land was there, it had not
suffered additional costs. . . .
Yet it went up out of propor-
tion with salaries. That means
that there are many parts of
Madrid in which the value of a
building to be constructed on a
given lot is less than the price
paid for that lot. This implies
such beastly social injustice that

it is hard to stimulate industry;
a man decides in all honesty, for
instance, to manufacture bricks;
but after working hard in his
own factory and seeing that it is
a tremendous struggle he finds
out that the land is worth more
than he could make with his
factory in 10 years; he sells the
factory to somebody who wants
to build a housing development
(which in the end won't be built;
it will be a total failure). What
I'm trying to say is that there
isn't the least stimulus for the
generation of wealth but rather
only for speculative activities.
And anyone who tries to pro-
mote or establish an industry,
looking at things honestly, finds
the insurmountable barrier of and
which he must buy at nearly un-
attainable prices, which allow
him no chance for a sound eco-
nomic base. I think construc-
tion is in bad shape at this
time; companies have little work;
many architectural studios have
been closed. In general the
situation is very bad and it will
not be corrected until there is
a profound structural change. . . .
Generally. . . . I'm rather op-
timistic about Spain's future.
It's just that I think it's es-
sential to control the situation.
Spanish capitalism isn't the
same as capitalism in other coun-
tries. It's so primitive it has no
parallel. And, unless the condi-
tions are created to stimulate the
man who wants to work, who
wants to generate riches, who is
willing to be responsible for the
activities of many others, it will
be impossible for Spain to pros-
per. . . .
Mr. Chislett: With all those
problems . . . do you believe that
Spain needs another strong man
to find the solutions?
Mr. Martin-Artajo: I don't be-
lieve in the "strong man." . . .
Dr. Alvarez Villar: It needs a
team of honest and efficient
men. . . .

Important Vote Is June 15

from Page 1.)
oppose constitu-
tional monarch-
ies have played
a watchdog role
period despite
emials that they
politics. Their
galization of the
nist party was
their "politicisa-

It is very important that Juan
Carlos does become a constitu-
tional monarch; otherwise the
left will replace the conflictive
issue of the establishment of an-
other republic, which the armed
forces will most certainly not
allow.

Saddled

The important international is-
sues will be applying for mem-
bership of the EEC and NATO,
issues which cannot be railroaded
through parliament.
The next parliament, as can be
seen, is going to be saddled with
all the uncomfortable issues
which the transition governments
have preferred not to take on or
have felt it better to leave to
the democratic parliament.
The most pressing problem,
however, is that of the ailing
economy. The next government
will be faced with taking unpop-
ular steps to save it from sink-
ing any deeper. The peseta may
well be devalued or revalued
after the elections. The Suárez
government has shelved economic
measures perhaps out of political
expediency. Economic measures,
however, cannot be taken with-
out a social pact between the
government and the trade unions,
which are flexing their political
muscles. There is no chance of
this unless workers feel that the
next government is politically sat-
isfactory.

Mr. Suárez: I doubt it.
Mr. Martin-Artajo: The shift of
the student vote to the left is
closely linked to the work pros-
pects of the man who is study-
ing or who is finishing his
studies and about to look for a
job. . . . In Spain's situation, in
view of the terrible job prospects
for university graduates, it's sur-
prising that this swing to the
left is not evident to the radical
extent that I think it might be
in the circumstances.
Dr. Alvarez Villar: The ques-
tion of elections in Spain is real-
ly a surprise package, and it will
be so for quite a few years until
we have a more mature conscious-
ness regarding elections.
Strange things can happen in
this country. . . . There is a great
margin of error. I'd say that the
party that gets the most support
from Spanish television will
win.
Mr. Suárez: I don't think I'll
vote.
Mr. Martin-Artajo: I haven't
made up my mind because the
center section is completely un-
defined. On the one hand there
is the Popular Alliance, not to
mention Blas Piñar, which can
be eliminated as of now for what
might be termed not very reason-
able attitudes and objectives in
the current situation; and on the
other hand there is Mardien,
which, in my opinion, has already
counted its votes as of the last

referendum. That leaves a sector
in the center which is not doing
very well at the moment because
it has not defined its attitude;
so the center sector is a kind of
catch-all where everybody winds
up but nobody comes up with a
clear proposal.
So maybe 60 per cent of the
votes will be cast here in the
center, in what is still referred
to as the center, and they don't
know how to use them. I think
Popular Alliance will probably not
get more than 10 per cent. Be-
tween the Communists and the
blank votes there might be an-
other 10 per cent. Altogether, the
Marxists might poll as much as 15
per cent. And then there's that
enormous block of votes which is
totally dependent on some orien-
tation, some agreement, honest rep-
resentation. (Premier) Suárez
could lead this group, but only
as long as the people let them-
selves be led by him. He will have
to make a very agile maneuver
in order to follow the non-confes-
sional center, leaning slightly
toward social democracy. . . .
Mr. Suárez: These elections will
not show that kind of politics the

Spanish people want. The elec-
tions will probably be a massive
exercise, with a turnout of per-
haps 80 or 85 per cent, something
which occurs in very few coun-
tries, but which is going to occur
here now. In short, it's hard to
predict who will carry that enor-
mous block of undecided votes,
but I think there's no way that
it could be any extreme, neither
the extreme right nor the ex-
treme left. . . .

Mr. Martin-Artajo: At this
time I think the average Span-
iard is looking for an honest,
capable man, not a fanatic; and
he has not yet appeared on the
scene. There's no doubt that the
present government has carried

out a very well-executed political
prouette, and it has considerable
political support; nevertheless it
has not made the slightest com-
mitment in the field of eco-
nomic, social welfare and social
administration. . . .
Mr. Suárez: The Spanish peo-
ple are not cloyed in; they lack
information. The politicians may
have it, but the poor Spanish
people don't have the informa-
tion which the big communica-
tions media should give them. . . .
Mr. Martin-Artajo: I think a
lot of confusion is being stirred
up by the parties which are
bound to lose, that is to say the
ones at the extremes. Besides,
judging by the personal appear-

ance of the candidates, it seems
that there are many parts of
Madrid in which the value of a
building to be constructed on a
given lot is less than the price
paid for that lot. This implies
such beastly social injustice that

A LEADING SPANISH BANK WITH INTERNATIONAL AMBITIONS



INTERNATIONAL DIVISION HEADQUARTERS
SERRANO, 47 MADRID.

The BANCO HISPANO AMERICANO, already an established force
in Spanish banking, has recently widened its horizons by taking
over the Banco Mercantil e Industrial and the Banco de Gijón. The
salient figures at the end of 1976 were:

	(U.S. Dollars millions)		Balance Sheet		Branches
	Capital and Reserves	Deposits	Total		
BANCO HISPANO AMERICANO	495	6,016	9,322	877	
Banco Mercantil e Industrial	34	518	923	85	
Banco de Gijón	9	133	178	37	
	538	6,667	10,423	999	

With a network of 1,000 branches situated throughout Spain and
an international organization, BANCO HISPANO AMERICANO
is superbly placed to ensure that it offers the best possible service
to its customers, both at home and abroad.

INTERNATIONAL DEVELOPMENTS

BANCO HISPANO AMERICANO is fully aware of the com-
mercial and financial climate that links Spain to the rest of the
world and has made, during the last few years, a sustained effort
to provide its extensive network of branches with an excellent
international service. It has recognized the needs of both Spanish
exporters and international investors. Side by side with these
developments, the central departments which liaise with the
International Division have also been reorganized.

BANCO HISPANO AMERICANO's excellent understanding with
similar banks all over the world forms a sound basis for interna-
tional business. In order to enhance this position we are established
directly in the major international financial centres and we have
a wide network of Representative Offices in several continents.

AFRICA & MIDDLE EAST REPRESENTATIVE OFFICES

Bahrain
Riad Solh Street
Arab Bank Building
Tehran
6 Karim Khan
Zand Avenue
PARTIALLY OWNED
SUBSIDIARIES
Casablanca
Union Bancaire
Hispano Marocain
69 Rue du Prince
Moulay Abdallah
Cairo
Mitr International Bank
155 Mohamed
Fouad Street
Tehran
Gespansar (Sociedad
de Promoción y
Gestión Hispano
Irani S.A.)
c/of. Executive
Service Co.
311 Building
193 Iran-E-Novim Av.

AMERICA

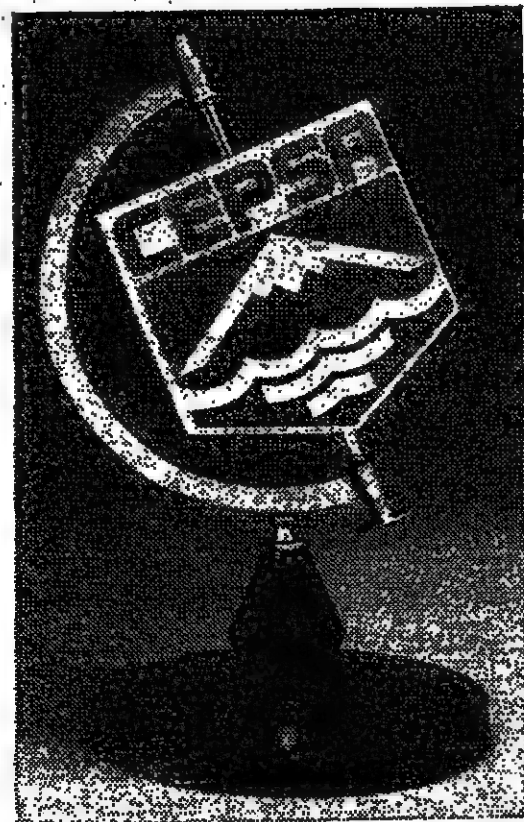
AGENCY
New York
Banco Hispano
Americano
Olympic Tower
645 Fifth Avenue
REPRESENTATIVE
OFFICES
Buenos Aires
Corrientes, 456
Dpto. 81 -Piso 8º
Edificio Safica
Rio de Janeiro
Avda. Rio Branco, 123
Edificio Comercio e
Industria
Salas 1502-1503
Bogota
Calle 17, No 7-35
Edificio Banco Popular
Piso 10º, Oficina 1012
San Jose, Costa Rica
Calle Central
Edificio Cosiol
Mexico
Avda. 16 de
Septiembre, 66
Edificio Princess
Despacho 100
Lima
Jirón Huallaga, 320
Caracas
Avda. Universidad eq.
a Traposo
Edificio Banco
Hipotecario de Crédito
Urbano, Piso 5º
Oficina 5º B

EUROPE

REPRESENTATIVE
OFFICES
Frankfurt
6 Frankfurt am Main-I
Kaiserstrasse, 8
Copenhagen (for
Scandinavia)
Rundtapspladsen, 4
WHOLLY OWNED
SUBSIDIARY
Luxembourg
Banco Hispano
Americano Holding
Luxemburgo S.A.
22-24 Boulevard Royal
PARTIALLY OWNED
SUBSIDIARIES
London
Banco Urquijo Hispano
Americano Limited
8 Laurence Pountney
Hill
Brussels
Nippon European Bank
40, Boulevard du
Regent
Saarbrücken
Commerz-Credit
Bank A.G.
Europartners
Fakultätsstrasse, 4
Geneva
Rhodanor
(Société Rhodanienne
d'Investissements
Internationaux)
11, Quai des Berges
Lis
(Institutional Research
and Investment
Services)
58, Rue du Staud
Luxembourg
Europartners Hldg. S.A.
11, Avenue de la Porte

CEPSA IS SPAIN:

SA is an international
employing four
hundred seventy
An all Spanish
with an international
are an independent
company involved in all
lies related to oil.
We have prospectors
ch going on all over
We have our own
one of the biggest
Spain) to ship crude oils
EPISA refineries in
and Algeciras (refining
4.5 million tons/year).
y competitive quality
apply both international
al markets.



And thanks to our exports
and to the sales produced by
servicing foreign ships and
aircrafts on national territory,
CEPSA has produced more
foreign currency for Spain than
any other Spanish company.
In 1976 we billed more than one
hundred thousand million
pesetas. And we have secured
our future by a deep-going
petrochemical involvement that
will enable us to continue
offering competitive quality and
outstanding products.

All this without
compromising our independence.
Being Spanish, in Spain and
outside Spain.

59 COUNTRIES.



COMPANIA ESPAÑOLA
DE PETROLEOS, S.A.



BANCO HISPANO AMERICANO
INTERNATIONAL PARTNERS
BANCO DI ROMA - COMMERZBANK - CREDIT LYONNAIS

We are present in the most important sectors of Spanish industry

INI, the Instituto Nacional de Industria, is one of the fundamental bases underlying Spanish industrial expansion, which has attained rapid advances in a developing country.

The INI participates directly in 60 companies and, through these, in over 200. In 1975, sales turnover amounted to 7.3 billion dollars, with exports of over 1.2 billion dollars.

At this time, there are very few industrial activities in which the INI is not involved.

The INI is present in oil prospection and refining; the petrochemical industry; the production, transport and distribution of gas and electricity; automobile and transport vehicle industries; shipbuilding and the construction of railway equipment; the manufacture of capital goods; the aeronautical and electronics industries; the production of fertilizers, cellulose and paper; in armament manufacture and defense industries; the production of steel and aluminum; the mining of coal and other products of national interest; the food industry and air transport. And everywhere it co-operates with private enterprise in the development of the country.

The INI has extended its activities outside Spain, not only by exporting goods which amount to over 18% of the national total, but also by investing and exchanging technology and experience.

* All this converts it into the most important Spanish industrial corporation and places it among the main European industrial groups.

Petroleum and Petrochemistry. INI invests directly in petroleum exploration inside the country some 15 million dollars. HISPANOIL, in petroleum exploration abroad, more than 40 million dollars yearly. ENPETROL controls 40% of the refining capacity of the country.

Gas. BUTANO distributes 100% of the domestic and industrial consumption of butane and propane. ENAGAS is responsible for the introduction of natural gas in Spain on a wide scale.

Electric Power. Companies of the group produce 14% of Spain's electric power.

Trucks and Buses. ENASA makes 60% of the national production of trucks and 77% of buses. The companies of the INI group produce 60% of the light industrial vehicles manufactured in Spain.

Automobiles. SEAT makes half of the national production of tourist cars.

Shipbuilding. AESA, BAZAN and ASTANO build 90% of the national total. Spain's shipbuilding ranks fifth in the world and is also her prime export.

Industrial Equipment. INI participates in companies, such as LA MAQUINISTA, which builds turbines, railway material and other large mechanical transformations.

Air Transport. The companies IBERIA for international and domestic air transport and AVIACO, fundamentally dedicated to "charter" traffic transport. Respectively, 9.5 and 1.4 million passengers are handled annually.

Fertilizers. ENFERSA produce 39% of the nitrogenous fertilizers in the country.

Paper Pulp and Paper. 46% of all the wood chemical-cellulosic pulp made in Spain is produced by ENCE.

Mining. ADARO is the company in Spain considered the most important for mining prospecting and engineering and the various companies of the group produce 62% of the coal, 41% of the lignite and 41% of the potash mined nationally.

Metal and Steel Industry. ENSIDESA, the largest steel mill in the country, produces 45% of Spain's steel and ENDASA, 57% of her aluminium. AESA manufactures the total production of forging and heavy casting.

Engineering and Consulting. EDES is one of the most important Spanish groups in its field, carrying out studies and projects in various countries.

Optics. ENOSA makes precision optical and educational material.

Other Sectors. INI also participates in the fields of: FOOD PRODUCTS with meat industries as well as canned fish and vegetable industries, DATA PROCESSING (hardware and software), WEAPONS (production and research with the most up-to-date technology), HOTELS, including historical buildings of unique architectural value converted into magnificent hotels, CRAFTSMANSHIP, in which ARTESPAÑA promotes and sells at both national and international level the rich Spanish craftsmanship. INI is a shareholder of the BANCO EXTERIOR DE ESPAÑA, which deals mainly in foreign trade, of the BANCO ARABE-ESPAÑOL and in various companies with investments in foreign countries, for which reason INI can be considered as the most important Spanish multinational Corporation.

For further information please contact its Directors who will inform you about who can do business with the largest Spanish industrial corporation and how it can be done.



Instituto Nacional de Industria

Address: Plaza Marqués de Salamanca, 8. Madrid 6 - Spain.

Telex: 22213 INI e - Cable: ININDUSTRIA

Telephones: 401 40 04-402 31 35-401 40 08

هكذا من الأصل



Economy Boomerang

Investors' Fears Cost Jobs, Lingering New Investor Fears

By Carl Gewirtz

PARIS (UPI)—The French economy is running at half speed, and investors are needed to get it back to normal. The French government is trying to persuade investors to step up their investments. The irony of the current economic situation is that the very thing that has caused the economic crisis—investors' fears of the future—now is the main obstacle to recovery.

One of the government's main targets is to try to persuade investors to step up their investments. The irony of the current economic situation is that the very thing that has caused the economic crisis—investors' fears of the future—now is the main obstacle to recovery.

The bitter pill for the current majority is that the restrictive economic policy of the past seven months not only may lose it the election, but that the policy will also have created a reasonably healthy economic base for the Union of the Left to begin governing the nation.

While few believe the government can succeed in limiting price rises to 0.5 per cent a month by the end of this year, inflation will likely have been cut from the unsustainable double-digit level of a year ago. The trade balance will also be looking healthier, in part due to the recovery from last year's devastating drought, but also thanks to the government's restrictive policies which will have cut drastically into the propensity to import consumer goods.

All of this will help keep the franc relatively stable, a major element in containing the rise in the cost of imported raw materials. In short, the constraints which tied the present government's hands from running an expansionary policy by next year should be considerably lessened.

Investment Front

The government has already tried to stimulate investments by making some 3 billion francs available to industry. The main element was the provision of 4 billion francs for investment at subsidized interest rates—half for small and medium-sized firms and half for larger companies. The funds will be available for projects formulated before the end of June and which give rise to actual expenditures before the end of September.

In addition, 3 billion francs have been made available for export financing and another (Continued on Page 4)

And this is still to a large extent the case. Like other member countries France is all too aware that the EEC's social and regional funds are woefully inadequate for their declared purpose. Except for the most poverty-stricken areas of the community, these funds are merely an adjunct—necessary though comparatively trifling—to national self-help policies.

The effects of the continuing recession have sharpened the plight of many French rural areas and at the same time have made it more difficult for Europeans to assess the benefits of the social and regional funds.

The first annual report on the operations of the Community's Regional Development Fund includes an assessment of the impact of the economic crisis on the regional fund. The report stresses that regional development has been made more difficult both by the aggravation of the problems of the less-favored regions and by the changed investment priorities resulting from the structural problems now affecting the economy as a whole. It also estimates that the rate of inflation is highest in the countries with the greatest regional problems.

The report stresses that the gap between the more prosperous and the poorer regions has increased rather than decreased since 1970. In that year gross domestic product per head in the richest regions, Paris and Hamburg, was respectively four times and five times higher than in

AN ECONOMIC

INTERNATIONAL
Herald Tribune

Published with The New York Times and The Washington Post

PARIS, MAY, 1977

REPORT

THE OUTLOOK FOR FRANCE

The United Left's Unprecedented Challenge Threatens to Oust the Divided Establishment

By James Goldborough



A workers' demonstration on the Avenue de l'Opéra last week.

Paris' Role in EEC's Regional Development

By David Haworth

BRUSSELS (UPI)—Inevitably French social and regional problems tend to be obscured from the perspective of the European Commission by the heavier and the more pressing demands which the Irish and Italians make on the available EEC resources. One of the main reasons for this, of course, is that traditionally the French have seen the common agricultural policy as the main instrument for the betterment of underdeveloped areas.

And this is still to a large extent the case. Like other member countries France is all too aware that the EEC's social and regional funds are woefully inadequate for their declared purpose. Except for the most poverty-stricken areas of the community, these funds are merely an adjunct—necessary though comparatively trifling—to national self-help policies.

The effects of the continuing recession have sharpened the plight of many French rural areas and at the same time have

made it more difficult for Europeans to assess the benefits of the social and regional funds.

Regional Fund

The first annual report on the operations of the Community's Regional Development Fund includes an assessment of the impact of the economic crisis on the regional fund. The report stresses that regional development has been made more difficult both by the aggravation of the problems of the less-favored regions and by the changed investment priorities resulting from the structural problems now affecting the economy as a whole. It also estimates that the rate of inflation is highest in the countries with the greatest regional problems.

The report stresses that the gap between the more prosperous and the poorer regions has increased rather than decreased since 1970. In that year gross domestic product per head in the richest regions, Paris and Hamburg, was respectively four times and five times higher than in

the poorest regions of the south of Italy and the West of Ireland.

When the second annual report is due to be presented in June, the commission will already have decided on the proposals it is to make to the council for the re-examination of the fund regulation which the latter is to carry out during that year. This illustrates how short is the period effectively available for the community institutions and others to reach their conclusions from the experience of the fund's initial phase and to take their decisions for the future.

The breakdown of the community's gross domestic product shows that major changes took place over the long term in the shares in the overall product accounted for by each country: from 1955 to 1972, West Germany and France, in particular, considerably increased their shares; that accounted for by the United Kingdom contracted to approximately the same extent. This "scissors" movement was largely due to very different performances in investment.

Except in two member coun-

tries—France and Italy—the rate of growth of productivity gathered momentum in all sectors during the 1960-1970 decade. Since then, the slowdown in productivity growth, which few industries or regions have escaped, has been much less pronounced in industry than in, say, agriculture.

Anxiety

In these circumstances it is hardly surprising that the anxieties of French industrialists are growing. At best, they expect a slower growth rate if not stagnation. This has been confirmed by recent surveys by the CNPP (employers), the Bank of France, or that carried out by the National Statistics Institute. In the opinion of the institute, industrialists' personal outlooks for production "no longer correspond to anything but slight expansion." If the number of "optimists" was 32 per cent higher than that of "pessimists" last June, by the fall it was only 6 per cent.

Despite signs of improvement in

PARIS (UPI)—A specter haunts France today, to paraphrase Karl Marx, the specter of Eurocommunism. Some time during the next 11 months, a crucial election will be held here to determine whether the French Communist party enters the government for the first time since the immediate postwar period of 1946-1947.

The question on many minds today is whether the present government, President Valéry Giscard d'Estaing's third in three years, can hold on until March, the normally scheduled election date. The President says yes, but many Frenchmen believe that it would be better for all concerned to advance the date and get the test over with.

Jacques Chirac, the Gaullist leader, claims that the government has lost its legitimacy. Industrial production fell in February and the business community talks about investment uncertainty. Unemployment reached an official 1.02 million last month, up 8.3 per cent, and labor is planning a series of rolling strikes this spring to protest. The Paris Bourse has collapsed. Even Prime Minister Raymond Barre, whose popularity had been rising, is slipping. There is a somber mood in the government.

The left has been creeping up on Mr. Giscard d'Estaing these last three years, and in last month's municipal elections, it finally caught him. Firmly linked in their Common Program for Government, the Socialists and Communist parties enter this electoral period in a position they have never held before in French history: They are on the threshold of winning the majority.

Interesting Story

The comeback of the Socialist party since 1969, when Gaston Defferre won only 5 per cent of the presidential vote, is one of the interesting political stories of the 1970s. Ending years of effort to build a solid center-left alliance, the Socialists under Francois Mitterrand joined with the Communists, signing the Common Program, bringing the Communists out of the political ghetto to which they had been consigned since the cold war.

Judged only by appearances, the alliance has benefited the Socialists more than the Communists. Since the signing of the Common Program, the Socialists have increased their strength at every election. It appears that many French voters have abandoned their traditional split-party loyalties in order to vote Socialist and increase that party's strength more than the Communists'.

But the alliance has helped the Communists as well, for they

now are poised to enter the government again—to share in power again—for the first time since 1947. The March municipal elections gave a preview of what could happen in the national elections: Although the Socialists did relatively better than the Communists, the Communists, thanks to the left's joint tickets, gained hundreds of city halls where they had never been before.

Historically, there would be no precedent to a victory by the left next year. During the Popular Front of 1936-38, the Communists, while supporting the Blum Cabinet in parliament, never entered the government. In 1944-47, the Communists held minor posts in the De Gaulle provisional government and early Fourth Republic Cabinets but they were just one party among several, from right to left.

No Precedent

There is also no precedent under the Constitution of the Fifth Republic, which has never been tested by having a Gaullist president and an opposition government. Mr. Giscard d'Estaing would have several options for dealing with a victory by the left, including his own resignation. But he has given strong hints that he has every intention of staying on and assuring the presidential continuity.

It took more than a comeback by the left to get things where they are today. It also took an incredible number of errors by the ruling coalition, a series of blunders so striking that Le Monde, which greeted Mr. Giscard d'Estaing's election three years ago with the hopeful, "a new era begins," was writing recently of the government's "disintegration."

In a last-ditch attempt to halt the disintegration, the second Cabinet of Prime Minister Raymond Barre was formed to prepare for the elections. This new Cabinet, unbundled of many of the men who were causing trouble within the coalition, is a mostly faceless body of technicians with little political support in the country. It has the thankless goal of running a crucial election campaign on a program of economic austerity. Mr. Chirac already has underlined the impossibility of such a task by saying, "Usually you have elections, then redress the economy. Instead of the other way around."

Turning Point

If there was any single turning point for Mr. Giscard d'Estaing in the past three years, it was Mr. Chirac's resignation as prime minister last August. Until then, the two men, though rivals and temperamentally unsuited to each other, were able to compose their differences enough to govern. During the first two years of the Giscard d'Estaing presidency, it was the Communists and Socialists who were in disarray, with their divergences over electoral strategy and ill-concealed mistrust of each other.

Ostensibly, Mr. Chirac resigned as prime minister over Mr. Giscard d'Estaing's refusal to hold early elections to give the coalition new breathing space. In truth, the two men held substantially different views on a whole series of subjects, ranging from domestic politics to international affairs. Mr. Chirac made one last attempt as prime minister to transfer to the political control of all the parties within the government, and when that failed, he resigned to take over leadership of a new, rejuvenated Gaullist movement called the Rally for the Republic.

The stresses within the coalition finally proved too much to bear. If the Communists and Socialists shared, in most cases, even greater differences than the Gaullists, Centrists and Giscardians of the coalition, they were better able to compose or conceal them, perhaps because they had been out of power for so long. The differences within the coalition were amplified by the uncompromising personalities of several men unable to get along: bitter anti-Gaullists like Michel Poniatowski, the Giscardian interior minister, and Jean Lec-

(Continued on Page 2)

(Continued on Page 2)

Happiness Decried From on High—'The French Illness'

PARIS (UPI)—"If the left came to power," claims Alain Peyrefitte, "the economy would run the risk of sliding out of control." These words of France's new Justice Minister are just what one might expect from a senior member of the Barre government as the nation prepares for the key elections of March 1978. Yet Mr. Peyrefitte, author of the best-selling "Le Mal Français" ("The French Illness"), is not only a leading politician with a gift for the telling phrase. He has an original turn of mind and a real talent for writing. Here, in an interview with David Cuddeback, Mr. Peyrefitte discusses some of the problems which he feels affect French society.

Q—Sir, can you explain to our English language readers, many of whom do not know your book, what you have called the "French Illness" and specifically how this illness will affect the French economy?

A—This ailment is common to all Latin countries, even if it takes on a particular form in France. We are the direct heirs of Caesarism and the Counter-Reformation. Well-entrenched customs reinforce the power of the administration. The state wants to assure the happiness of its citizens in spite of themselves. Everything is decided at the top, far from those areas where the decisions will be imposed. Economies based on such au-

thoritarian practices have always found it difficult to move forward. Our administration believes only very little in the advantages of a market economy. It prefers to set prices, fix quotas, create new establishments rather than to make sure that the laws of competition are faithfully followed. The result is a loss in the efficiency of the market place and an increase in inefficiency due to government control. The state permits the disintegration of the mechanisms of a liberal economy; it allows the creation of monopolies and trusts because it feels more comfortable in a simplified economic situation. The French Illness is thus filtering through our economy, which for three centuries has been under the jealous control of the administration.

However, since 1945, and particularly since 1959 when France joined the Common Market, the French economy has progressed enormously, thanks to a greater opening to the world and because it accepted the risks inherent to competition.

Q—You have stated in your book that this illness is not incurable. What are the main steps to take toward recovery?

A—My book does not offer a detailed prescription to cure the patient. The illness exists within ourselves. The very realization that we are suffering from it is already a major step toward the cure. Furthermore, if at the



Alain Peyrefitte, Justice Minister, author.

present time "power is impotent," should we not then share out this power among all levels of responsibility to augment the potential of each one?

We must renew the municipality, promote the district, increase the scope of activity of the department... these are ideas to follow that would bring about a

real decentralization. The unity of the state would not be weakened by them; quite the contrary.

Life on the local level would be more animated because it would be less restricted, closer to the interests of those involved. Decisions taken on the spot, in accord with the population are most certainly better adapted than the remote opinion of an administration located in Paris. And, this way, citizens and the administration would become closer to one another; and the efforts exerted by one side would receive the help of the other; specific undertakings would come before the general evolution.

Each Frenchman must participate in progress; the progress of a society must first pass through a change in the state of mind. There can be no social progress without economic progress and no economic progress without an economic state of mind. The French must learn to love trade, industry, techniques and, therefore, their exporters, their industrialists and their technicians. They must admit that the laws of the marketplace are nothing more than the laws of democracy applied to economics.

Q—During the 1950s and the 1960s, France greatly admired U.S. methods of industrial management. This admiration appears to have given way to a more national approach, or at least, to a combination of U.S.

efficiency and French tradition. Is this an accurate description of the current evolution of the French society?

A—It is true that in the last 200 years, from its infancy to now, the American people have gone through a spectacular and extraordinary development. We could not remain unaffected by this phenomenon at a time when France was opening its gates to the salutary winds of trade. And this is the cause of the admiration you mention. The United States, as is true for other countries which have pioneered development, broadened, consolidated, cleared the twisting path to freedom, to private and collective enterprise, to industrial adventure. And since the 19th century, this twisting road has been wandering over our territory, crossing our own rigid path. And since then, we have continued, a bit haphazardly, sometimes on our own good old Roman roads, feeling ill at ease on one as on the other. In the last few decades, our paths have crossed more and more. We have come to note and to apply the values of industrial and liberal societies such as that of the United States.

And in some ways, we have already begun to move on the "third road" that we have dreamed about since Gen. de Gaulle. Because France does not fit in



Giscard's Political Problems Include His Ex-Allies and a United Left

(Continued from Page 1)

met, the Communist justice minister, attempting to cohabit with Gaullist ministers and a Gaullist prime minister.

Mr. Giscard d'Estaing had believed at the beginning of his presidency that the various currents of the coalition would gradually join together under the standard of his post-Gaullist reformist policies. He believed he was forming a homogenous "presidential majority" and that France was evolving into a two-party system with the Communists gradually being eclipsed by the Socialists on the left.

It almost worked. The Gaullists went into rapid eclipse after Mr. Giscard d'Estaing's election, and without Mr. Chirac to pull them back and rally them around his neo-Gaullist, rightist policies, the presidential coalition might well exist today.

Mr. Chirac is in many ways a remarkable man, but his differences with Mr. Giscard d'Estaing have forced him into a position far right of what he once defended. Little more than an obscure junior minister in De Gaulle's time, he came into prominence under President Georges Pompidou, who moved him through a series of portfolios to become one of the powers of the government. His opposition to the candidacy of Gaullist Jacques Chaban-Delmas and support for Mr. Giscard d'Estaing during the 1974 presidential race earned him the prime ministership.

But Mr. Chirac does not travel

alone. When Mr. Pompidou died, he inherited two of the more mysterious figures of the Fifth Republic, the kind of eminences grises that have never lacked in France. Marie-France Garaud and Pierre Juillet had been two of Mr. Pompidou's closest advisers. Both played a strong role in the downfall of Mr. Chaban-Delmas as prime minister and later in his downfall as presidential candidate when Mr. Chirac led a group of 44 Gaullists out to support Mr. Giscard d'Estaing. When Mr. Chirac became prime minister, the two moved into the Hotel Matignon, the prime minister's residence, with him.

Elected to Do Nothing

It did not take long for the new inhabitants of the Hotel Matignon to realize that Mr. Giscard d'Estaing harbored some of the same reformist thoughts that had led them to oppose Mr. Chaban-Delmas and his program for a "new society" in 1970. In one of his more memorable quotes, Mr. Chirac said not long ago, "If the people had wanted reforms, they would have voted for Mitterrand. Giscard d'Estaing was elected to do nothing. His problem is that he wants to do something."

As though it was not enough to be politically outflanked on both his right and left, Mr. Giscard d'Estaing's government ran into a series of wildly improbable misfortunes. A Giscardian member of the National Assembly, Jean de Broglie, was murdered un-



President Valéry Giscard d'Estaing

der mysterious circumstances on the streets of Paris, and a few days later Mr. Poniatsowski, leader of the Giscardians in addition to being interior minister, announced that the case was solved. But it was not, and still is not solved. Mr. Poniatsowski's precipitous comments bore all the marks of a cover-up, not to mention a conflict of interest.

Mr. Poniatsowski also was involved in the next blunder, the arrest of Abou Daoud, the Palestinian leader of the Black September group, who arrived here

one day in January to attend the funeral of a slain comrade. The French police inquired about him and were told by other secret services that it was indeed Mr. Daoud, the man wanted for the Israeli Olympic team massacre in Munich in 1972. Mr. Daoud was arrested and he was totally unacceptable to the Gaullists.

The Gaullists finally agreed on Pierre-Christian Taittinger, who was a former Gaullist rallied to the "presidential majority." Mr. Taittinger, who is the current deputy foreign minister, should have been ac-

ceptable to everybody, but he was not to Mr. Poniatsowski. For the interior minister, the mayor's election was a chance to "exterminate" the Gaullists in Paris (derivation). Mr. Poniatsowski wanted Michel d'Ornano, a faithful Giscardian.

The rest of the story is known. Mr. Chirac, counselled as usual by Mr. Juillet and Mrs. Garaud, entered the race despite urgent appeals from the government to stop what was seen as a suicidal move to wreck the coalition. The government said that Mr. Chirac would hand the municipal elections to the left. Mr. Chirac said that it was the only way to block the left. The election result was a landslide for the left. Mr. Chirac won only 25 per cent of the first round vote in the capital, enough to make him mayor.

Those elections prompted a derision of the Barre government, with the exit of all its "political" ministers. The elections also set up Mr. Chirac, as the head of the Gaullists in parliament, as the final arbiter of government policy.

Harder Tone

It did not take long to realize that both the government and Mr. Giscard d'Estaing had become hostages of the Gaullist party. One of the first measures announced after the reconvening of parliament in early April was postponement of the imposition of the capital gains tax—the tax that was the most important re-

form so far of Mr. Giscard d'Estaing's presidency. That tax, the first French tax on capital, took months to draft, debate and finally vote last year. The postponement was done in one day.

But the vicissitudes of life with the Gaullists also have had their effect on the President. There has been a noticeable Gaullist-style hardening of tone in foreign affairs and a certain erraticism in dealing with the European Economic Community. Mr. Giscard d'Estaing's obstinacy in Rome over the presence of Roy Jenkins, the president of the EEC Commission, at the coming industrial world summit meeting in London, surprised all of France's partners as being even more Gaullist than De Gaulle.

Three years ago, Mr. Giscard d'Estaing was elected on a program of "ending the division of France." His was to be a great center-left reformist coalition that would gradually cut into the strength of the Socialist party. Communism, he said, had entered its "historic decline." France would no longer be faced with the eternal choice offered under the Gaullists, "us or them," "not on le chaos." It was a noble plan, but it has not worked. What went wrong?

The simple answer is that the coalition on the left proved more durable than the coalition on the right. The evolution of the Communist party under Georges Marchais, particularly since the 22d party congress early last year, assured the survival of the alliance of the left and stopped any defection of the Socialists back toward the center. While on the right, the agitation—personal, political, tactical—destroyed the coalition. The extremists of the left, the Communists, were growing more moderate at the very time the extremists on the right, the Gaullists, were increasing the stakes.

Poor Politician

But one more element cannot be ignored: Mr. Giscard d'Estaing so far has been a poor politician. He could not stop his lieutenants from making a most damaging series of mistakes. He was unable to inspire the nation with any substantial reforms, though much of the blame certainly be-

longs to the Gaullists. He is unable to find or to keep men that might have assured victory. He enters this election period almost isolated.

This does not mean that elections of 1978 are lost. Still France, a highly conservative nation, and the left here usually loses, whatever the mistakes the right. A municipal election without too much at stake—which can serve as a warning to the government—is quite different from a national election where everything is at stake—economy, nationalizations, France, a new way of life. Mr. Giscard d'Estaing has a chance for the left to win control of parliament, where the major today holds a 100-seat majority.

But the election shows a sign of being close. The does not usually win in France but seldom before has it gone into an election in better shape. The evolution of the French Communist party has surprised everyone, including other Communist parties. And the Socialists steadily increased their support where they expect to win between 30 and 35 per cent of vote, enough to dominate Communists, they believe.

Nobody can predict what will happen if the left wins. It will have an incalculable effect, just on French domestic politics and on the economy, but France's relationships with neighbors, particularly West Germany, and in international bodies such as the European Economic Community and the Atlantic Alliance.

If the left does win, it will have its chance to prove it can overcome its fundamental differences, just as the pre majority could not. And left's differences are great, too, on such crucial areas as defense, Europe, the Common Market, nationalizations and war self-determination.

As the government's recent experiences have shown, it is thing to cover up differences in the opposition, and quite other thing when in power attempting to make policy. coalition's goal for the next months is to bury its differences enough to try to save the tions. Judged on its past performance, that may be an possible task.

'The French Illness' Is Called Authoritarianism—and Its Acceptance

(Continued from Page 1)

a capitalist situation—it has not attained the market economy and it changes the rules as it goes along. Nor is it in a socialist situation since it does not accept socialism's inflexible rationality.

But this third road often accumulates the disadvantages of capitalism and socialism while it should enhance their advantages. Social humanism and a business and market economy are compatible only on the condition that they absolutely respect each other; a marriage is a merger of difference. There is no better

principle of a dynamic economy than the principle of business and that of the market.

There can be no principle of a harmonious social life other than that of the control of society by society itself. If we keep in mind these two principles, we can go far on a road that would be new and particular to France.

Q—The French system is assailed (most often by U.S. critics) as suffering from too much government control. Is this a valid criticism?

A—Yes, it is a criticism that

is all too often justified. For the last three centuries, we have tended to believe in the virtues of supervision and control by the administration in every area. Everything is decided according to a rational plan: the economy is made to fit theoretical resolutions: a single truth is imposed on all.

It may be that the main advantage that one draws from spending much time outside of France is not so much what we can learn from foreign countries as what we can learn about our-

selves. Foreign countries are like windows where we can see, at the same time, the view that it offers as well as the reflection of our own image.

Q—How would the structure of the French economy be changed if the left were to come to power?

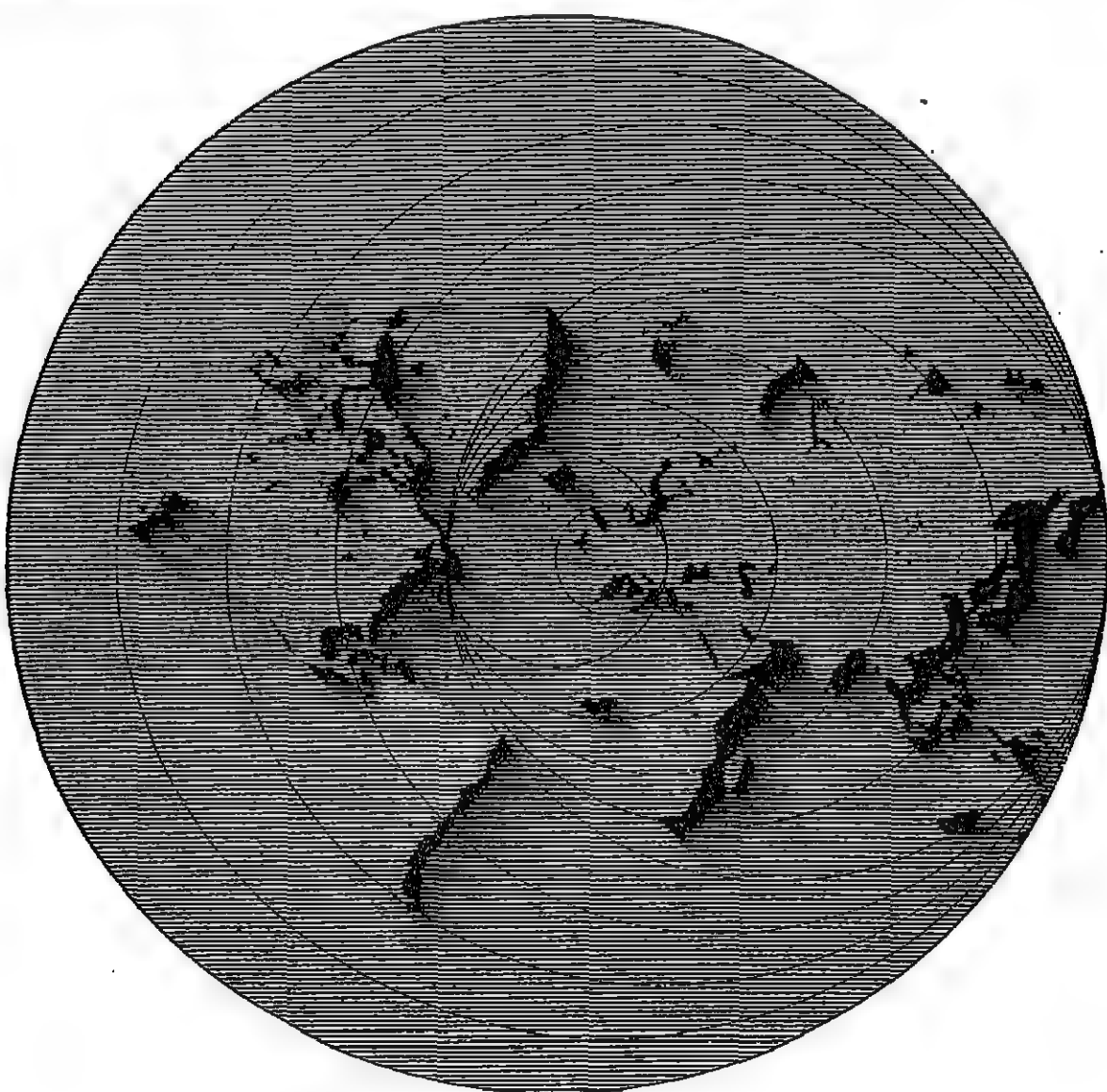
A—If the left came to power, the economy would run the risk of sliding out of control. There could be a series of unexpected chain reactions. The Frenchman's tendency to succumb to bureaucracy and central control could be increased. The best of

intentions could miss their mark.

It is not by brutalizing this society of mistrust in which we now live that we can transform it into a society of confidence. Alternation of power is undoubtedly necessary to both those who rule as it is to the opposition—and without it, both are menaced by a sense of the unreal. But it is not desirable when it threatens the economy as a whole and when it risks making us withdraw into the old habits from which we are already suffering enough.

French history has clearly shown that French society has been able to—and still can—escape from its own ills. By following a path of good sense, a middle course, France must not be broken down, especially when it can be improved. It has already shown signs of regaining its health and a complete cure can be found for this French illness without again crushing the nation.

It really is not necessary to burn down the house to roast a pig.



Commercial field or finance,
whatever your needs,
Société générale can help you.
Everywhere.



SOCIÉTÉ GÉNÉRALE
The French and international bank.

Member of EIBIC, European Banks International.

IBM in France.

IBM France was created in 1919. Today it employs over 19,000 people. People who are dedicated to satisfying the office equipment and data processing needs of France. These employees work in four manufacturing plants, education centers, a development laboratory and numerous sales and support offices throughout France.

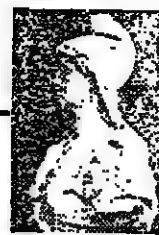
Their efforts are not limited to the national boundaries of France. In 1976 the employees of IBM France helped produce products and services sold outside of France worth more than three billion French Francs.

The computer today is a development of world-wide efforts not limited to any one area, country or continent. There is a constant interchange

of ideas, people and expertise between users of computer systems and their manufacturers. This international interchange has helped IBM develop products that serve a world marketplace. Our commitment to producing a worldwide product line is based on a free exchange of computer technology and the opportunity to market products in a free economic environment.

As a part of the IBM organization, IBM France makes a significant contribution to our operations throughout the world and to the economy of France.

IBM



Organizing of Industry Still a Promise Amid Resistance to Change

hael Parrott

With 76 per cent of the French economy on imports, the government has promised to help in the restructuring of a few select industries, but if any major restructuring is to come, it may well have to wait the election of a left-wing government.

Little Achieved

It is perhaps rather surprising to a foreign observer that the French government has achieved so little since the energy crisis. The French state has, after all, traditionally enjoyed considerable powers over the running of the economy; French companies are used to taking a lead from those bright technocrats in government ministries and similar problems have been tackled in the past by the comprehensive planning system instituted in this country after the war. If any government had the means to shake up industrial structures to take into account the new world economic situation, it was surely the French one.

World countries, to refer back to speeches made by Valéry Giscard d'Estaing to see how much government action. On the global level, the French government suggested an inference to disorder; on the other hand, he warned his need for a work which would employment without loss of payments as themes were by the French Union Commission in its reflections on the Seventh Plan.

Then happens in random theories translated into The government's change introduced Minister Jean-Pierre in the summer of the crossroads in government, and the measures pre- later by Prime

But as every government knows to its cost, the hardest time to restructure an industry is when that restructuring is needed the most. When an economy is expanding fast, an inefficient industrial sector can be reorganized without causing major unemployment problems or imposing unacceptable financial strains. But when a million people are out of work, the budget is overstretched and industry is losing money, it is not easy getting changes accepted, especially when parliamentary elections are but a year away. That is why the government has tended to concentrate on restoring the health of the economy before pushing through the industrial reorganization required in the long term.

There is also a more fundamental reason why so little restructuring has yet been carried out. Contrary to what is generally believed abroad, the French government just does not have the powers and the financial resources to impose structural changes on the economy. In theory, the state is all-powerful in France. Civil servants can make their displeasure felt in the way they apply price controls,

fiscal arrangements, foreign exchange authorizations—the whole range of red-tape procedures which flourish in this centralized administrative system. In practice it just does not work out like that. In what remains an essentially liberal system the government can do no more than coax and cajole industrialists to follow what it considers to be in their best interests. Differences of opinion can occur within the industry itself, within the banks involved in the operation or within the government ministries themselves. With little more than 15 billion francs available for intervention each year, the government is just not in a position to impose its will on industrialists. The only fields where the state has been able to dictate its own industrial policy have been in sectors which are key purchasers of equipment or where the industry is in such a weak state that its very survival depends on government aid. It is in these two sectors that the French government has been most active in recent years.

Commitment

The period when the French government was probably most powerful was just after the war when the country was recovering from the ravages of the conflict. With key industries such as coal, electricity, aeronautics and transport under state control and much of the reconstruction concentrated on public works, the government's objectives played a

major role in the development of private industry. When the first plan was produced in 1947, specific production targets were set for six major industrial sectors. As these sectors depended very much on government decisions, the plan represented a government commitment.

But if the state played a key role in the postwar reconstruction effort, it was not until France's entry into the Common Market and its withdrawal from its colonies that the need for restructuring became evident. With the lowering of tariff barriers French firms could no longer make fat profit margins, financially weak family concerns were falling easy victims to U.S. multinationals, business lost to foreign competitors at home or in the colonies could not always be compensated by increased foreign sales and it was proving increasingly difficult for the country's fragmented industry to cope with the growing cost of capital investment.

The French response to this situation was both global and selective. From a global point of view the government introduced depressive depreciation allowances on investments in 1959, it set up the regional planning organization DATAR in 1963, it removed the fiscal advantages of mergers in 1965, it introduced a major reform in the banking system in 1966 which enabled deposit banks to assume a much larger role in the long-term financing of industrial investment, and in 1967 it brought in a new joint venture formula called the Groupement

d'Industrie Economique (GIE). The culmination of this policy came in the presidency of Georges Pompidou when the French Sixth Plan gave special priority to the development of French industry, both nationally and internationally. During this period government technocrats encouraged mergers with a view to having at least one internationally sized company in each industrial sector. Only when this had been achieved could France consider international cooperation arrangements within Europe or with the United States.

Gaullist Era

But the Gaullist era will be remembered for its more spectacular actions aimed at keeping France among the leading technological nations. This was the period when French President Charles de Gaulle pushed ahead with his *force de frappe*, developed the national nuclear graphic-gas technology, stuck to the French color television system SECAM and gave the go-ahead to the Concorde. It was then that France committed itself to billions of francs trying to build up its own national computer group CII after General Electric's take-over of Machines Bull, financed Airbus and Concorde to keep a restructured aircraft industry afloat, set up a nationalized oil group Elf/Gap, tried to form a French electronics component industry and maintained an active participation in space research. It was a period

that was also marked by a seven-billion-franc program to restructure the ailing steel industry and the offer of costly subsidies to French shipyards in return for a series of mergers.

Most of the restructuring that occurred at that time and particularly in the time of President Pompidou was the work of the industrialists themselves, who realized that French companies could only survive if they became more powerful in sales and cash flow. They were helped by the major deposit banks who were ready to put up the necessary finance and merchant banks like Paribas and Suez who were anxious to make the best out of their industrial participations. Between 1969 and 1971 when French industry took advantage of a profitable period to consolidate its position, the decisions were being taken by the companies themselves rather than by the government technocrats who were counseling them.

During the last years of the Pompidou regime it seemed as if French industry might at last be able to look after itself.

But with the arrival of Giscard d'Estaing to the presidency, there was a marked change in policy. In theory Giscard was opposed to state intervention in the running of the economy.

He disliked the constraints that the plan might impose on government policy, was skeptical of the grandiose prestige projects favored by Gen. de Gaulle and opposed any further encroachment

of the state on the lives of French citizens. The role of the government was to provide a liberal atmosphere in which free enterprise would flourish, leaving state interventions to exceptional circumstances when industries faced temporary difficulties or when there was a serious threat of unemployment.

But as things have turned out, the government has been more interventionist than at any time since the early days of De Gaulle.

Important Customer

The most spectacular interventions have come in sectors where the state is an important customer—the nuclear industry, telecommunications and computers. Here the government has openly sought a restructuring which will assure French control over the industry and maximum export possibilities. In nuclear power the government decided to reduce the industry to two key groups—Framatome, the subsidiary of Creusot-Loire and Westinghouse, was to take over complete responsibility for the construction of all future reactors be they light-water ones or fast breeders, while Alsthom-Atlantique was to have the monopoly of all the turbo-set contracts.

In telecommunications the government forced ITT and Ericsson to sell some of their French interests to the Thomson group, which now emerges as a major rival to CGE. Although the government is sticking to the national time division technology

developed by CGE, the bulk of new orders are now going to the space division exchanges developed by ITT and Ericsson, which are more reliable and offer better export possibilities. In computers the government abandoned UNIDATA in which CII had been associated with Siemens and Philips in favor of a tieup with the giant Honeywell systems group, which already owned Honeywell-Bull. The merger of CII with Honeywell-Bull restored the French computer business to national control and offered new export possibilities, but it left few illusions about France's real independence in this field. Under the deal, CGE emerges as the major French shareholder in the new grouping, while Thomson, which had also had a stake in CII, is to assume responsibility for the mini-computer peripheral sector.

Difficulties

But most of the other government interventions are being taken in industries which have been running into difficulties. In 1974 the government loaned Peugeot one billion francs to take over Citroën, provided Citroën's parent Michelin agreed to merge the company's trucking subsidiary Berliet with Saviem, the subsidiary of the state-owned Renault group. Similar measures are expected to be announced in the steel and shipbuilding sectors. Nationalized groups like Air France, Renault and Aerospatiale have also been allowed to run up heavy deficits.

The key to government policy is, however, to be as selective as possible with the aid that is available. A steady stream of subsidized credits has been made available for companies installing energy-saving equipment, capacities for export, employment-creating factories; cheap loans are given to the smaller and medium-sized companies and generous guarantees are provided for firms ready to export. At the same time the government has been trying to make it easier for companies to obtain the funds needed for investments—by relaxing price controls and holding wages, by making it easier to raise capital on the stock market and by examining the whole question of inflation accounting.

The Role of France in the EEC's Regional Development Experiment

(Continued from Page 1)

the employment situation in the European Community. EEC officials are alarmed that there are still over 5 million people out of work in the Nine. And even though there are signs of an economic recovery in some of the EEC member states, this does not mean that unemployment will fall immediately.

In fact, the Regional Fund in its current form is only an experiment. What is on trial is not its existence, but the form it will ultimately take. The im-

plementing regulation is explicit in stipulating that following commission proposals, the council will take a fresh look at the mechanisms of the fund before Jan. 1, 1978. If the experiment is a success, the council may decide to allot more money to the fund's budget, give it more substance compared to national aids, provide for more direct contact with private investors.

The social fund is the other main instrument used by the European Commission to overcome structural problems in the EEC.

The main activity of the social fund up to now was to improve employment opportunities for workers by subsidizing 50 per cent of the cost of vocational training schemes in the member countries. In this way the employment of workers was made easier and their occupational mobility within the community was increased. Since the fund was reformed, more than 2 million persons have benefited from its retaining aids.

Thanks to the reforms introduced in 1971, the fund became a more flexible instrument for

dealing with employment problems. By a series of decisions the scope of the fund became progressively enlarged and the following groups of workers became eligible for assistance: Farmers leaving the land, workers in the textile and clothing sectors whose skills must be re-adjusted, migrant workers, the handicapped, unemployed persons under 25, workers in the underdeveloped regions or regions with declining activities, workers who are forced to adapt owing to technical progress and workers affected by the difficulties en-

countered by certain groups of enterprises.

In the framework of the last three areas of intervention, women over 35 years and elderly workers were listed among those groups which qualified for retraining aid. But this rapid expansion in the range of the fund's activities has led to certain difficulties such as the danger of a too wide dispersal of the fund's interventions, delays in adjusting to the demands of the labor market and delays in processing applications and payment of aids.

A MACH 2 WORLD.

Air France's Concorde

Mach 2 at the service of man. Concorde reflects the image of the world Air France is building: a Mach 2 world.

An efficient world: The Concorde not only cuts your flying time in half, it saves you time on the ground as well. With special fast Concorde check-in and baggage service. Plus a wide choice of convenient connecting flights.

A less-tiring world: Shorter flying time means less fatigue. You arrive feeling fresher, overcome jet lag easier and adapt faster to the pulse of life at your destination.

A privileged world: Service aboard the Concorde has been conceived to fit the rhythm of supersonic flight. Original menus created in the French tradition, the finest French wines and renowned spirits provide delicious meals, served with an appreciation of the shorter time you spend on board.

Discover this world for yourself on Air France.

AIR FRANCE IS THE WAY.

WE CAN HELP YOU DO BUSINESS IN THE ARAB WORLD.

With our flexible network of affiliate banks both in Europe and in the Arab world, we can assure you of a very solid financial contact with the Middle East.

Our Arab-speaking specialists make certain the Arab world and you understand each other, perfectly.

Let us help you with our personal and efficient service and let us surprise you with our rapid execution of all your financial transactions.

You'll find that we're a full-service network of commercial banks that provides the perfect link between Europe and the Arab world.

Do call us, we're always ready to talk business.

● **BANQUE EUROPEENNE POUR LE MOYEN-ORIENT FRANCE**
6 Rue de Berri, PARIS-8e.
Tel.: 359.13.40. Telex: 640834.

● **BANQUE EUROPEENNE POUR LE MOYEN-ORIENT BELGIUM**
43 Avenue des Arts, 1040 BRUSSELS.
Tel.: 513 66 68. Telex: 26368.

● **CREDIT LIBANAIS S.A.L.**
Place Riad el Solh, BEIRUT - LEBANON.
Tel.: 249552. Telex: 063917.

● **BANK OF THE ARAB COAST (RAS EL KHAHMAH) UNITED ARAB EMIRATES**
Al Sabah Street, Boursail Bldg.
Tel.: 8190. Telex: 9149.

● **BANK OF THE ARAB COAST DUBAI**
Under formation.



* After May 15, we will be located at 58 Rue de Bassano, Paris-8e. Tel.: 723.78.68. Telex: 612010/11/12/13/14.



'Country at Large Is Now the Object of Development

By David Cudaback

PARIS (UPI)—In 1976 the French government's commitment to regional development was reaffirmed at the highest levels. "If regional development remains one of our fundamental national policies," President Valéry Giscard d'Estaing told an audience in Angers last July, "events affecting our economic life in recent years—the recession of 1975 and its consequences—have only intensified its importance."

But if the basic, ongoing objectives of regional planning in France—conversion of the economic base in depressed areas, improvement of public services in the provinces, decentralization of decision-making in government and the private economic sector—have remained essentially unchanged, the work of DATAR, the omnibus regional development agency, has been reoriented to meet more immediate and critical needs.

Regional priorities remain,

most notably for the troubled French West, North and Massif Central. At the same time DATAR's interministerial resources and services have been streamlined and redirected to place regional development in a broader national context and to use the agency more specifically as an instrument to fight inflation and create jobs.

DATAR has been spared some of the more draconian cuts that characterized the government's 1977 anti-inflationary budget, which itself illustrates the importance the administration continues to place on regional development.

If funds for the agency's programs were in fact cut by over 9 per cent (to \$33 million francs) and the amount of its aids and grants reduced by 12 per cent (to 739 million francs), DATAR's share of the civilian budget nevertheless stands at 2.3 per cent, not an inconsiderable amount considering that the larger portion of these funds are used to provide financial incen-

tives. Another 221 million francs, moreover, are to be channeled into regional development projects through the Ministry of Housing and Public Works and the Ministry of Agriculture.

A Luxury?

To critics who suggest that regional development becomes a luxury during periods of economic crisis, DATAR's administrators cite the Seventh Plan's observation that "regional imbalances engender cumulative inflationary pressures and are the source of social tensions." Such thinking became policy last October when a special report, presented to the government by the Plan's Commissariat Général, identified over-concentration of population and economic activity as one of the structural causes of inflation and recommended stepping up regional development in order to reduce strains on ever more costly housing, administrative services, transportation and available land in and around large urban areas in France.

This recommendation meshed well with DATAR's original mandate to improve economic and social conditions in the French provinces. It had also been largely anticipated by the fourteen-year-old agency's deliberate re-orientation in 1976 toward controlling all urban growth and improving the quality of rural life. "Regional development has ceased to be a sectorial objective in order to become a general pre-occupation," Jean Lecanuet, until March state minister for planning and regional development, noted last December. "The country at large is now the object of development," he said.

Finally, in order "to mobilize for employment" in the words of DATAR's director François Essig, the agency last April created a new administrative system to intensify and coordinate the creation of new jobs in the French provinces. Given its largely unparalleled experience and ability in working with a broad range of ministries and other state agencies, perhaps only

DATAR could have "mobilized" the French administration as a whole to work toward a single goal.

The CIPE

This it has done through the Comité Interministériel pour la Promotion de l'Emploi (CIPE), which coordinates the new jobs program. The CIPE is jointly administered by the Ministries of Finance and Labor and is chaired by Mr. Essig. It also includes representatives from the prime minister's office and the Ministry of Industry, the directors of the budget, treasury and construction and public works; the secretary-general of the inter-ministerial committee on continuing education and social services; and the director general for credit at the Bank of France. In keeping with DATAR's overall policy of decentralization, most of the essential work of identifying job needs and administering the new program is done locally, at the department level by the Comités Départementaux (CDPEs).

The CDPEs are headed by prefects of each department, work through local gov-

ernments. Although conceived as a national program, the of the new jobs admin still betrays a bias in particular regional need emphasis is on creating agricultural jobs in underdeveloped areas whose economies are unable to support industries employing more than 20 or 30 people. The program thus the establishment of 11 or medium-sized industrial units that believes are alone adaptive conditions. Only those a maximum population of 20 inhabitants per square kilometer and whose population declined between 1968 and 1975 qualify for special new development aid under the plan.

There is an implicit structural objective of creating a balance of economic activity and investment in the country and the goal of bringing new and industry to particular areas on either expanding existing economies. DATAR has increasing abroad.

Priorities

The needs of the private and public sectors are a fifty thousand people job market annually in regions of the west. DATAR estimates that 4,000 jobs must be created for the next decade to compensate for the decline in mining and migration people in the North; in Lorraine, the key for the steel, coal and textile

While 29,000 new jobs were created through the recession of western region less than half that number created in recession 75 6,000 through subsidy in the first half of last year where the region is heavily on the auto industry to transform its base. Chrysler France existing facilities in Renault and others have expansion and by the year the automobile employed approximately 300,000 in the region. It is profiting from Renault's expansion in 1976 but during the year with U.S. and Scandinavian firms expected to create 2,000 1977 through new plants. Ford, Union Renault and other expanding existing firms.

Foreign investment little in the way of expansion in 1976 but during the year with U.S. and Scandinavian firms expected to create 2,000 1977 through new plants. Ford, Union Renault and other expanding existing firms.

Investors' Fears Are Recycled in a Half-Speed Economy

(Continued from Page 1)

1 billion francs for energizing investments. This will be augmented in coming weeks by a new program to assist depressed sectors such as shipbuilding, steel, textiles, pulp and paper.

There are already some signs of a modest improvement on the investment front. The latest government survey on investment plans by private and public firms (excluding public works, construction and some utilities) showed that the companies are planning to spend 12 per cent more than they did last year.

In real terms, after deducting the overall increase in the cost of capital goods, such investments are expected to increase some 4 per cent this year—an improvement over last year's zero real growth but below the targeted 7.5 per cent annual rate. The survey also indicated that the increased spending this year would essentially be confined to three sectors—automobiles, glass and petroleum.

The survey, however, was not at all encouraging regarding em-

ployment. It found that executives expect their workforce to decline by 0.5 per cent this year, compared with a 0.2-per-cent rise in 1976—indicating that the bulk of the new investments are being directed to labor-saving equipment.

Overall industrial production so far shows only modest progress, with the index in February up 6 per cent from a year ago but up only 1.6 per cent from the average of the preceding three months. This is sharply below the 20-per-cent annual rate of increase registered in the early months of 1976 and the 10-per-cent rise registered for all of last year.

That spurt last year resulted in a 5-per-cent increase in the gross domestic product—the measure of all the goods and services produced—a sharp reversal from the 1.2-per-cent decline registered in 1975, the nation's worst recession since World War II.

This year, the official government forecast is for an increase of 4.6 per cent, but this is a widely contested figure. Citibank economists, for example, forecast that France could achieve a growth rate of 4 per cent but only at the expense of an inflation rate running at 11 per cent a year (compared with the official French forecast of 8 per cent).

The Organization for Economic Cooperation and Development sees the economy growing at only 3 per cent this year if the target on inflation is kept intact and Société Générale estimates this year's growth at 2.5 per cent with inflation likely to be running over 9 per cent.

Five-Year Plan

The significant aspect of these economic growth forecasts is that

they trail badly the official target in the current five-year plan of a 5.7-per-cent annual growth rate. The plan itself envisaged that this rate of growth would not be sufficient to absorb the increase in the labor force through 1980 and that France would enter the new decade with a job deficit of 850,000 to one million.

The planners expected that an annual growth rate of 5.7 per cent would create some 230,000 new jobs a year. But with the official government forecast of a 4.6-per-cent growth rate this year and the OECD forecast of 3 per cent, it is clear that the target on job creation will not be met.

The OECD says three factors are likely to cause growth to slow appreciably this year: the stimulative growth during the past year (restocking and public expenditure) have worn off; government policy has become more restrictive; and both consumers and businessmen have become much more cautious, implying a cutback in spending.

There is also considerable skepticism about the government's ability to contain the upward spiral in prices.

The OECD said: "During the last recession—despite the fall in demand, the appreciation of the franc and the consequent easing of import prices, and the drop in world prices of raw materials—the increase in domestic prices did not fall much below an annual rate of 10 per cent, which clearly proves that more thoroughgoing reforms have to be combined with demand-management policy."

One of the government's major goals in fighting inflation is to contain the increase in wages, which climbed last year about 15 per cent, or about 5 per cent in

real terms. So far this decade, "real" wages—the increase over the rate of inflation—have risen 5.2 per cent a year.

'Real' Wages

For the quarter ended in January, the rise in hourly wages was 2.9 per cent, down from the 3.4 per cent registered in the previous three months. The government's aim is to hold the rise this year to the increase in the cost of living—meaning zero increase in "real" wages.

This is still being negotiated with the unions, but it is widely anticipated that zero growth is not attainable. "Electricité de France offered its workers an increase representing a rise in real purchasing power of 1.8 per cent that was rejected by the larger unions but is still under consideration by the others. Railway workers have rejected an offer of a 1.7-per-cent rise in real purchasing power."

The outcome of the wage bill is critical as the only way the government can establish control over its expenditures is to bring public-sector wages under control. The pattern, of course, will also affect private industry, but the problem there is less severe as increases in productivity can be achieved to offset wage increases.

Trade Deficit

Nevertheless, the wage bill affects the level of corporate profits and thus the ability and willingness to make new investments. It also affects the ability of French goods to compete in foreign markets.

The trade deficit last year was a massive 21 billion francs (about \$4.2 billion)—the result of a 32.5-

per-cent increase in imports outpacing the 20.3-per-cent rise in exports. There were special problems. The drought not only cut the volume of agricultural exports but forced France to import foodstuffs.

In addition, the franc dropped some 10 per cent against the dollar, increasing the French import price of raw materials billed in dollars.

So far this year, the franc has held steadily at just under 5 francs to the dollar even after the sweeping Socialist-Communist victory in the March municipal elections. This was achieved without any overt heavy intervention from the Bank of France.

Bankers offer several explanations: To some extent, the central bank was intervening, but through other intermediaries, such as the nationalized banks. Another support element derives from the heavy pace of international borrowings by various state agencies. These borrowings of dollars, Deutsche marks and Swiss francs are aimed at enabling France to finance its balance-of-payments deficit.

The state agencies who actually do the borrowing themselves have almost no need for these foreign currencies and convert them into francs—thereby replenishing the Bank of France's holdings of foreign currency. Some bankers believe that the central bank had orchestrated the repatriation of these borrowings into francs to coincide with the anticipated weakness of the franc in the post-election period. This assured a demand for francs at a time when selling was expected to be heavy.

'Hot Money'

When the franc did not weaken, speculative money began to cover the positions they had taken in expectation of a decline.

At the same time, interest rates in the United States and West Germany were easing slightly, attracting interest-sensitive "hot money" to stay in France. But as interest rates elsewhere began to climb, pushed up by the economic revival, and as the rate of inflation here is expected to considerably outpace the level in West Germany or the United States, a number of analysts see the franc weakening in coming months.

Foreign investment little in the way of expansion in 1976 but during the year with U.S. and Scandinavian firms expected to create 2,000 1977 through new plants. Ford, Union Renault and other expanding existing firms.



cic group

1500 BRANCHES

The leading private banking organisation in France

Crédit Industriel et Commercial

BANQUE RÉGIONALE DE L'AIN - B.R.A.
BANQUE RÉGIONALE DE L'OUEST - B.R.O.
BANQUE SCALBERT DUPONT
BANQUE TRANSATLANTIQUE
CRÉDIT FÉCAMPOIS
CRÉDIT INDUSTRIEL D'ALSACE ET DE LORRAINE - C.I.A.L.
CRÉDIT INDUSTRIEL ET COMMERCIAL - C.I.C.
CRÉDIT INDUSTRIEL DE NORMANDIE - C.I.N.
CRÉDIT INDUSTRIEL DE L'OUEST - C.I.O.
SOCIÉTÉ BORDELAISE DE C.I.C.
SOCIÉTÉ LYONNAISE DE DÉPÔTS ET DE CRÉDIT INDUSTRIEL
SOCIÉTÉ NANCÉENNE DE CRÉDIT INDUSTRIEL & VARIN-BERNIER
UNION DE BANQUES RÉGIONALES POUR LE CRÉDIT INDUSTRIEL
BANQUE COMMERCIALE DU MAROC
BANQUE DE TUNISIE

CIC HEAD OFFICE

66, rue de la Victoire, 75009 Paris
Telegraphic Address: credint - phone 280.80.80
telex 290.692 credint
Foreign Exchange telex: 650.643 credext

Foreign branches

London (CIC) - New York (CIC) - Bâle (CIC) -
Lausanne (CIC) - Luxembourg (CIC) - Zürich (CIC)

Representative offices or Customer services

BRUXELLES - FRANKFURT - LONDON - MILAN - MOSCOW - WARSAWA
NEW YORK - BUENOS AIRES - CARACAS - MEXICO - RIO DE JANEIRO
SAO PAULO - BOGOTA - BAHRAIN - CAIRO - TEHRAN - HONG KONG
TOKYO - SYDNEY - ABIDJAN - DJAKARTA

FOR YOUR PARISIAN "PIED A TERRE"

A prestigious address in one of the most residential neighbourhoods in Paris



"26 AVENUE GEORGES MANDEL" PARIS 16^e

In this magnificent, early XXth century building, fully renovated, several luxurious apartments are still available.
2 rooms, 3 rooms, 4 rooms (some are duplexes).

Decorated model apartment. Sales office open daily from 2 to 7 pm, except Sunday.
Tel. 727.55.25

S.R.A.I., 20 rue Jacques-Dulud
92200 Neuilly-sur-Seine
Tel. 747.43.00

PORT LA GALER on the Riviera

A unique village perfectly sited

In 60 acres of fragrant pine-lands and garden on the sea's edge looking out over the Bay of Cannes, the property includes 2 club houses, 2 swimming pools, several beaches, a 180-berth private harbour. Fishing, sailing, water skiing, diving and many other sports are available. And with many other services for a carefree and leisurely life.

A first class investment 30 minutes by motorway from Nice International Airpo

Houses in clusters with 3-6 rooms

**JOHN ARTHUR &
TIFFEN**
174, Bd. HAUSMANN PARIS 8.
75008
Tel. (93) 30.30.48

ملكا من الاموال

y concerned about
maintenance, the
advocate the idea
ationalisations and

The vogue for *le management* was further strengthened in the 1980s. U.S. multinationals setting up in Europe were looking for local managers, while their French rivals were calling in Anglo-Saxon accounting groups and consultant firms in response to growing international competition. One of the main

The sudden interest in U.S. techniques coincided with a growing awareness of the need to restructure the French economy. It was due to this U.S. influence that French companies set up profit centers, decentralized management responsibilities, tightened up budget control, developed marketing and selling techniques and evolved

How is the task to be done? "Teaching is not enough, we also have to do research," says Mr. Kitzinger, whose previous

in France

—Does It

The growing demands in France for worker participation, better factory conditions and greater job security have made employers realize that the more brutal U.S. methods just won't work in this country. This is the message of the May 1968 student upheavals that some of the more liberal members of the French National Employers Association (Patronat) set up *Entreprise et Progrès*, a pressure group aimed at improving relationships between workers and employers. With the crisis of the economic crisis many of the ambitions of the more liberal employers have been shelved, but with unemployment over the million mark companies are now giving greater emphasis in their recruitment to men who have experience in handling social problems rather than to bright graduates of the traditional business schools. The new solutions described in business administration textbooks.

Industry priority must be assigned to reconquering domestic markets and reducing import dominance, the union argues. "As long as France deals from a position of weakness at home, the essential export goals of the Seventh Plan remain fanciful," Mr. Zarifian said. At present, the government's restructuring efforts have made French industry an "auction place, and discounted at that."

By Jonathan Story
and Michael Parrott

The sudden interest in U.S. techniques coincided with a growing awareness of the need to restructure the French economy. It was due to this U.S. influence that French companies set up profit centers, decentralized management responsibilities, tightened up budget control, developed marketing and selling techniques and evolved

How is the task to be done? "Teaching is not enough, we also have to do research," says Mr. Kitzinger, whose previous



•

•••••

[illegible]

The Bank that covers the World

Wherever you do business we are there to help and advise you.

Banque Nationale de Paris

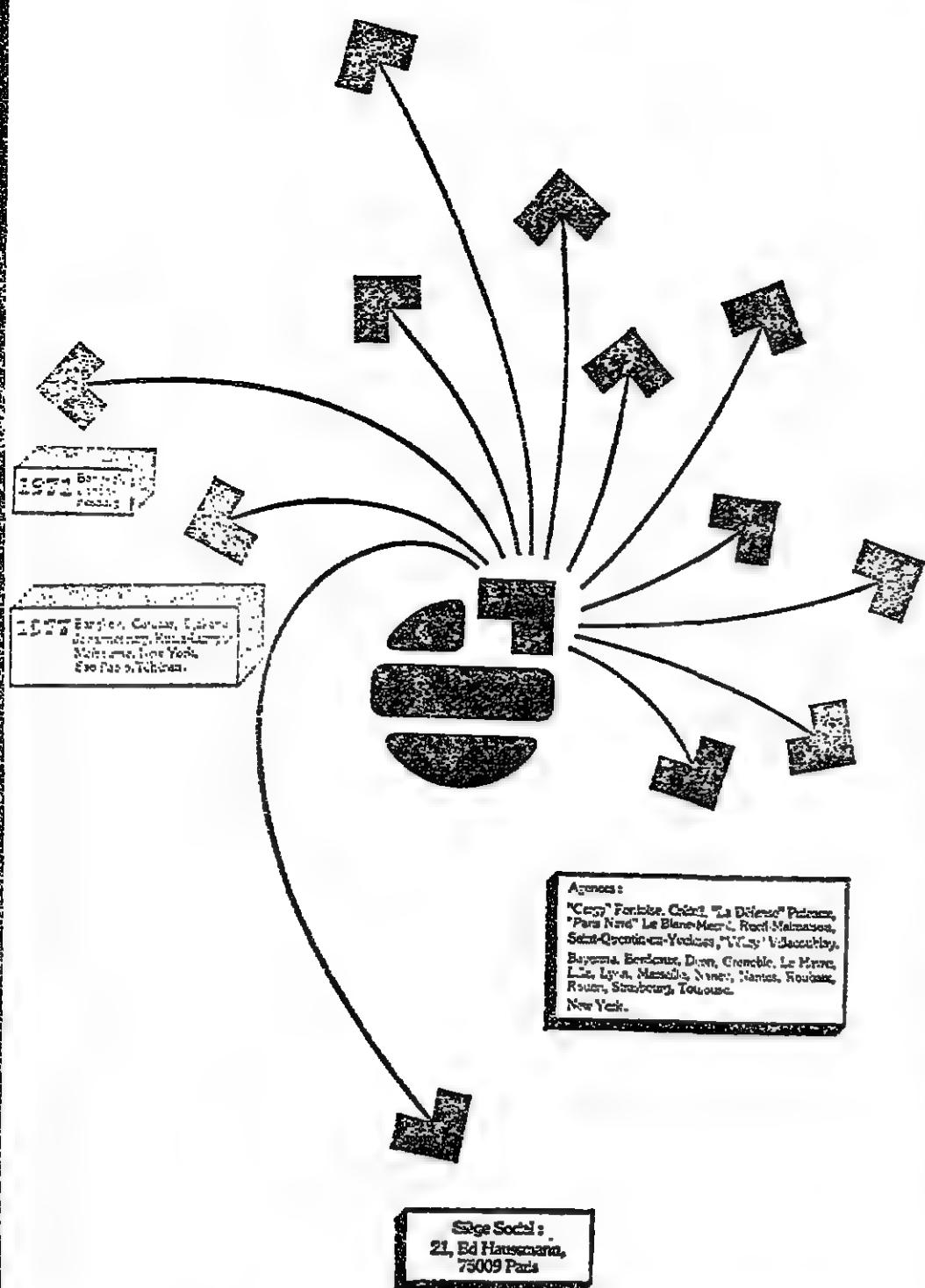
New York
BNP Representative Office
French American
Banking Corporation Subsidiary
French American
Capital Corporation Subsidiary

San Francisco
French Bank of California Subsidiary
(also in Los Angeles, Beverley Hills,
Newport Beach, Palo Alto-Stanford)
BNP Agency

Chicago
BNP Branch
Houston
BNP Representative Office
to be opened soon

UK Subsidiary
Banque Nationale
de Paris Limited
10-15 Moorgate Lane,
London EC3P 3ER,
Tel: 01-626 5678.

BANQUE FRANÇAISE DU COMMERCE EXTERIEUR



By David Cudaback

PARIS (IHT).—The progressive deterioration of French industry's capacity for self-financing, coupled with the transformation of the asset structure of French banks, has over the last decade catapulted the banking system in general and French commercial banks in particular into the leading position as provider of industrial financing. "For industry," observes a spokesman at one nationalized bank, "our massive role is that of lender."

Medium and long-term non-refinanced credits from the banking sector accounted for just over 35 per cent of longer-term external financing for French business and industry in 1974—or more than twice banking's percentage just four years earlier. During the same period the amount of capital raised through new stock and bond issues declined by 17 per cent to meet only a third of industry's external financing needs by 1974. The state's contribution increased slightly in four years, to 11.9 per cent.

The trend is likely to continue over the next three years. According to Seventh Plan projections, French business, industry and services, both public and private, will need to borrow 111 billion francs in 1980. Virtually the same lending ratios are expected to prevail that year, with the banking system again providing 37 per cent of the needed capital.

A closer examination of the evolution of commercial banking's role since 1965 reveals the spectacular growth of these institutions as long-term lenders. In 1965 French commercial banks provided a total of 10 billion francs in long-term non-refinanced credits to business, industry and private individuals. By 1973 these credits had exploded to more than 24 times this figure. Classic medium and short-term lending during the same decade posted less than a fourfold increase.

Changing Pattern

The changing pattern of commercial bank lending in France, as well as the institutions' growing involvement in industrial financing, is directly related to the comprehensive banking reforms of 1966. The new system—by eliminating interest pay-

ments on demand deposits by allowing banks to hold deposits for an indefinite period and by freeing interest rates on savings in excess of 200,000 francs held for more than two years—stimulated the growth of time deposits (which rose from 12 per cent of all deposits in 1958 to over 40 per cent last year).

This significant increase in long-term, relatively stable resources in turn boosted enormously commercial banking's capacity for long-term lending.

At the same time, as part of a larger program of diversification and modernization, commercial banks created special industrial finance departments like Société Générale's Service de Fusion et Regroupement and the Crédit Lyonnais Département des Affaires Industrielles. These are essentially counseling services for French business and industry, specializing in what the French are fond of calling "financial engineering," services which had been offered, with considerable success, only by banques d'affaires. Further blurring the frontiers that had traditionally distinguished them from banques d'affaires, French commercial banks have expanded, through acquisitions, into investment

banking. Because these investment bank subsidiaries—Banque pour l'Expansion Industrielle for the BNP, Société Générale's VALORIND and Crédit Lyonnais's Société de Banque et de Crédit—are not subject to restrictions limiting a commercial bank's interest in any one company to 20 per cent, commercial banking has also been able to increase its participation in industrial share capital.

The commercial banks argue that they are particularly well suited to this industrial financing role. "Banques d'affaires are too specialized," suggests a commercial bank economist, "too tied to special clients. This is not the case with commercial banks and I think this gives us a psychological advantage." An industrial financing expert at another nationalized bank puts it more succinctly: "We are the banquier de tout le monde, everyone's banker."

The case is perhaps overstated and does overlook those dramatic if somewhat isolated examples where banques d'affaires like Lazard, Paribas and Soes have engineered important mergers and acquisitions within French industry as well as participating in efforts to restructure the steel, paper and other industries.

In the area of financing re-structuring, commercial bankers generally concede that their role is that of *entremetteur*, or middleman, between government and industry or between prospective parties to a merger. Where there is initiative from banks in this area it tends to come from the *banques d'affaires*. "This is our métier, our vocation," says a spokesman from Paribas. "It's not just a question of involvement in the final phase of providing long-term capital. We're also there at the beginning, to initiate, set in motion and negotiate mergers and acquisitions. Our job is to conceive and then convince."

There is a certain amount of debate as to who is ultimately the most appropriate arbiter of industrial financing in France and over the choice and methods of funding sectors to be restructured. Many bankers argue that the government's approach is in fact based less on long-range structural considerations than on economic and political needs of the moment. They point out that banks, on the other hand, must always be concerned with profitability. "The government's approach is essentially macroeco-

nomic," says one Paris "while ours is microeco-

"Restructuring," adds banking source, "requir on a selective basis." If banks are used, he cont is because they are i study precisely the use whereas state distrib funds is often wastefu the government does these instruments of an

A private investment France insists that "it is to live" with industry ness to understand ti human, organizational problems. This isn't ti Job. But if the state is pared, in terms of obje means, it is not a q opposition or competi tween banking and th ment). We need state tion for what we do cooperation when our are insufficient."

It is equally clear th is just as dependent on to help finance its policy. The Banque de l estimated that the cost by half the indeb troubled French indus would be 60 billion fr fifth of the state budge

Stocks: Victims of a Series of Development

"Our backs are against the wall," asserts one Paris stockbroker. "We work in a hostile environment that wants to destroy the profession. To keep our business alive, we must have backbone, financial means, creativity and flexibility."

This view, to one degree or another, is shared by a growing number of French stockbrokers. It is easy to understand why. In 1976, a year that featured withdrawal of the franc from the European snake, drought, capital gains tax legislation, persistent inflation and political uncertainty, share prices dropped by 17 per cent and the average daily volume of transactions fell by more than 5 per cent. For the 58 Paris brokerage firms—there were 80 in 1962—this translated as a 4 to 5-per-cent drop in earnings last year at the same time that operating expenses were climbing by between

15 and 20 per cent. And first-quarter 1977 turnover for brokers (whose commissions have remained fixed despite inflation) was 35 per cent below that of the same period last year.

As a result, 28 firms operated in the red in 1976 and even the 30 profitable brokerage houses made less than the accumulated deficit. "Nineteen seventy-seven will be worse," confirms another broker.

Nor do politics give the Paris brokers cause for optimism as he works in what is undoubtedly the world's most politically sensitive stock market. Continuing leftist electoral success simply serves as a reminder that nationalizations called for in the opposition coalition's Common Program concern 40 per cent of the Paris Bourse's stock list.

Critical Report

The stockbroker, along with a number of other professions in

France, is also the object of a highly critical report prepared last year by a special committee on income of the Commissariat Général of the Seventh Plan. The report "strongly deplored" the "monopoly enjoyed by certain professions... which confers... on certain of their members privileges that can be considered abusive." French stockbrokers do in fact have a monopoly on stock trading, granted them by Napoleon in 1807.

The report goes on to score "unjustifiable" (but unspecified) professional incomes, and, at a time when many stockbrokers feel their only salvation is consolidation into a smaller number of larger firms, criticizes "the elimination of competition within certain professions."

Given what one Paris stockbroker terms "a terribly unfavorable situation," there has been over the last two years a

growing realization of to reform the operati Bourse and to restru profession itself from w is regarded as essenti tracting a larger numvectors and to making market a more effici situation—and in turn ling brokerage a more v fession. "New ideas a tives," observes anoth "never come from the the authorities. They come from younger p are today doing busine that doesn't strictly co the regulations."

New General

This mood of cha particularly prevalent a new generation of you sive agents de change joined the profession the year that reforms brokers to expand t (Continued on next

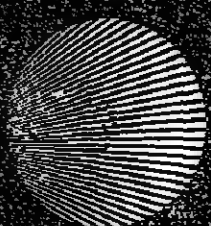
One man can plan your Lyons base with you.

He has offices, housing and leisure facilities at his finger-tips.

A successful project for him is one that ensures your company's prosperity, satisfaction for your key staff. The happiness of their wives and children counts as much as the choice of offices and decentralization grants.

Learn more about Lyons?

Call us on Aderly (78) 38 10 10 / Télex 310828



Association pour le Développement Économique de la Région Lyonnaise
20, rue de la Bourse, 69289 Lyon Cedex 1, France

PARIS LIVE AT HOME AND BE SERVED LIKE AT THE HOTEL

The Neully Residence Club is an innovation in real estate. We are reserving it for those who, all their life, have been accustomed to quality and still have a taste for it. We are in fact offering them the opportunity to acquire both a very comfortable apartment with balcony overlooking the street or garden, private parking, basement, etc., and to enjoy, at the same time, multiple services.

The Neully Residence Club also places at the disposal of the residents' elegant reception rooms, small sitting room, bridge room, gymnasium etc.

The Neully Residence Club is a vision of the future, and henceforth a sure value.



If you are tired one evening, or if, pure and simply, you have no desire to prepare dinner or go down to the dining room, you have only to telephone to the reception desk and your dinner will be brought up to you.

Sparkling clean carpets, fresh flowers. The Neully Residence Club

will be maintained daily by trained personnel. The cost of all services will be reasonable, and in any event lower than the present cost for the upkeep of your home.



On entering, the smile of a hostess. Attentive and efficient, she is there to harmoniously settle your small daily problems. From your apartment, you are connected to the switchboard by telephone or intercom. And in your absence, the operator will messages for you and give them to you as soon as you return.



The Chef is the most "important" person in the Residence Club. Noon and evening, he will prepare expressly for you quality dishes. A steward and several first rate chefs will provide dinner room service. You will come at leisure to take your meals there or even invite your personal guests.

Why Neully instead of Paris?

Because Neully is the garden of Paris... because it is well-situated for business... because real estate investments benefit from a constant and growing appreciation in value.

NEULLY RESIDENCE CLUB

137-145, avenue du Roule - 92200 Neully
Delivery 4th quarter 1978

MUCH MORE THAN A VERY BEAUTIFUL APARTMENT, WE OFFER YOU A CERTAIN LIFE STYLE

Send you calling card to

D.FEAU
appartements

132, boulevard Haussmann - Paris 75008 - Tél. 261.80.40

Undertaken by



and Sogépro

هنا من العمل

هولاء امه لاول



Investment Abroad: A Low-Risk Venture Into Industrialized Countries

By Ames Nelson
 PARIS (IHT).—Investment abroad has been a long neglected aspect of French industry, but the search for energy supplies and the need to build major corporations to multinational re strong inducements to the deficiency, while France is in the forefront of the current race to plant flags in the United States, only agreed to be today's attractive investment opportunity, the French lag far behind their major trading partners in spending abroad.

than two-thirds of the Japanese totals and less than six per cent of American investment levels abroad. Since that time, net direct investment ex-France, as measured by the Ministry of Finance, has jumped 60 per cent to an estimated 6.7 billion francs in 1976.

New Regulations

The increase, however, is a sharp understatement of the true capital movements initiated by French investors since international and local market financing, as well as subsidiaries' internal funding, are not included in government figures. In addition, new regulations introduced last July, in part to control capital flight, require investors to secure at least 50 per cent of investment funds from international money markets or host country sources. For example, French investment last year in the United States as a percentage of the ministry's provisional figures comes to about \$250 million, while statistics from U.S. government and international banking sources place the total at an estimated \$1.4 billion. And for 1977, investment abroad by French oil companies that should approach 10

billion francs from all sources is expected to total just 1.5 billion francs in ministry statistics for funding ex-France.

Energy sector investments mainly in search of oil and uranium account for nearly half of overseas allocations, followed by metals and chemicals spending for industrial projects. Commercial investments by banking and service industries, which are favored by government regulations and often support export efforts, approach 25 per cent of direct funding totals.

The noticeable increase in French overseas investment activity is strongly directed toward industrialized countries, particularly Common Market partners (and especially Germany) and the United States. Between the periods 1968-69 and 1974-75, French investment has quadrupled in the United States and doubled in the EEC, while investment in other OECD nations and the rest of the world has dropped from 79 to 47 per cent of total direct investment, according to government officials.

"The French are investing abroad now to avoid risk," the chief economist of a leading bank here said, "so Asia and Latin

America are virtually excluded." And although France remains the largest investor in Franco-phone Africa, absolute numbers are low and new project interest has waned there, too, he said.

"America is now the key investment market," a Finance Ministry official explained, "because otherwise French industry will not be competitive. It is a question of survival." And according to another French investment banker, no major firm would admit it was not interested in putting funds into the U.S.

Many of the French giants are already established in the United States or have announced major initiatives, such as the largest single French foreign investment package at \$800 million planned by Michelin Tire to build five plants as a basis for attacking the American market. Imetal, Cresson-Lotie and Pechiney Ugine-Kuhlmann have all committed substantial funds in the last two years to acquire control or ownership of U.S. firms in the metals industry. ELP Aquitaine and Cie. Française des Pétroles have bought companies and mining rights, while St. Gobain-Pont à Mousson in glass and construction and Lafarge in cement are the most prominent French bidders in their industries.

The motivation to invest in the United States is prompted by a healthy economic climate with moderate inflation and political stability as a guarantee against expropriation. Profit margins are higher and earnings repatriation is assured, while management prerogatives for reacting to market or labor conditions are more extensive.

By contrast, domestic investment in France has stagnated during the last two years as corporations have been burdened by inflationary costs and employment maintenance regulations in the face of flagging demand. And as confirmation of greener pastures abroad, foreign investment in France dropped more than 20 per cent in 1975 from a high the previous year and observers expect the trend to be confirmed for 1976.

The threat of the left coming to power in legislative elections less than a year away also has played a role in steering investment elsewhere. Although na-

tionalization of France's top nine multinationals is a campaign promise of the united Socialist-Communist platform, bankers, executives and government officials do not believe the element of political uncertainty weighs more heavily than other economic factors. Contrary to popular belief, massive transfer of corporate assets has not paralleled the trend in the flight of personal capital.

Despite the incentives to invest overseas, traditional inertia pervades corporate and government

attitudes. French administrations long have regarded foreign investments with suspicion and have discouraged capital export to combat France's persistent balance of payments deficit, in the opinion of an international specialist at the CNPF, the French management association.

As a rule, French firms rely on export revenues to a greater extent than their international competitors, and a long-standing debate continues whether foreign investment reinforces or replaces exports. Despite government

guarantees against foreign expropriation for firms investing abroad, it has been only in the last five years that policies of "near penalizations" have been abandoned, he said. Still, he contended, the government offers few preferential regulations to encourage foreign investment.

"The traditional policy of maximizing exports with minimal investment continues," the executive said, "but in global markets, direct export has limited possibilities." Although the government raised credit allocations for

domestic projects leading to higher export sales, middle-size companies for which the fund is designed have few alternative resources and even less access to international markets to finance investment abroad.

The CNPF is attempting to convince the government that export promotion at the expense of foreign investment is incompatible, the official said; and the association is waging an educational campaign to erode the psychological reluctance companies have about investing abroad.

Exports: The Fuel to Restructured Industry

PARIS (IHT).—If restructuring of the national productive apparatus is to be the vehicle for assuring French presence in essential industries and major world markets, export expansion can be considered the fuel with which the objective may be achieved.

Export development is one of the chief priorities of the current Five Year Plan, which has set a goal for trade surplus of 40 billion francs in industrial goods and 20 billion francs in agricultural products by 1980. And Prime Minister Raymond Barre, formerly a Minister of External Trade, has declared his main objective to be the restoration of France's trade balance by year end.

It will be no easy task, as 1976 trade results showing a deficit of 39.5 billion francs were one of the more unpleasant surprises the government had to face last year. Although exports rose by 17 per cent in value over 1975, the moderate economic recovery brought a 31 per cent spurt in imports.

Trade projections for the Seventh Plan appear to be badly miscalculated in view of the first year's performance. Despite Mr. Barre's declaration, an expected first-quarter deficit in annualized terms would reduce the imbalance only slightly. OECD economists and Trade Ministry officials predict a deficit near 10 billion francs at best, and experts at the national statistics institute (INSEE) privately project a deficit of closer to 15 billion francs for 1977. In effect, little improvement is foreseen in real export

growth and import reduction when the drought and currency devaluations of last year are discounted as one-time phenomena.

Deficit

Government officials account for half of the 1976 deficit by citing a 4-billion-franc cost in lost agricultural exports and higher energy bills due to the summer drought, plus a 6-billion-franc cost in higher import prices as a result of currency depreciation after the March decision to withdraw from the European parity agreement, or "snake."

The most noticeable impact was a five-fold deterioration in what had been a relatively small trade deficit the year before with Common Market partners, which account for nearly half of France's export sales. And to its embarrassment, France became the only European country to register a deficit with demand-hungry Spain.

The erosion of traditional clients markets is most starkly reflected in a 6-billion-franc decline in the export of consumer goods, automobile sales excluded. Autos did perform well in a record production year; but electronics, furniture, shoes and clothing lost ground to competitors. The brightest spot in the French export picture was the healthy pace of factory turnover projects and foreign construction contracts. But increasingly, French export trends are turning toward capital goods trade with developing nations as consumer goods trade with industrial part-

ners declines as a percentage of total export.

The prospects of increased reliance on third-country markets is disquieting to both the government and the business community since risks are greater in relatively unknown and distant countries and competition is often more intense to exploit new markets.

A prime objective is to strengthen French trading companies in an effort to handle a greater share of transportation and shipping requirements of exporters. Less than 20 per cent of French goods are shipped abroad by national firms compared to more than 40 per cent for German exporters and more than 50 per cent for Japanese overseas operators. The goal is to reduce by half the deficit in invisible trade, or services, to 5 billion francs by 1980.

Most recently, the government announced a 3-billion-franc addition to an existing 5-billion-franc fund of preferential credits for domestic investments leading to expanded export sales. The credits are designed particularly to encourage small and medium-size companies to develop or expand overseas business.

Although government policy strongly favors export operations over foreign investment projects, the depth of French export prowess is deceptively thin. Figures from the French Center for External Trade, a promotional arm of the Trade Ministry, reveal that of 40,000 companies engaged in export, 1,350 firms account for 90 per cent of trade, 327 corporations cover 80 per cent

and just 55 French multinationals contribute 40 per cent of total export sales.

In the case of the top 300 firms, export sales comprise nearly 40 per cent of company revenues, which Trade Center president Pierre Logyue fears will make these corporations overdependent on foreign markets. Yet the domestic French market is often too limited in demand potential to allow major companies to reach the critical mass needed to compete in international markets. "They are condemned to either export heavily or to concede market positions to foreign competitors," he warned.

Compounding the problem of structurally insufficient domestic demand that drives major firms abroad is the tradition of government price controls that restrict national producers' margins but do not affect importers' margins. French buyers and distributors aggravate the problem by frequently selecting a comparably priced foreign product at wholesale to assure greater profitability.

With high penetration levels of foreign competitors in several domestic market sectors, many national industries do not enjoy a solid base from which to launch export ventures, a trade association executive pointed out. Thus, firms that are poorly placed at home and may be vulnerable abroad make industrial restructuring difficult or impossible, he said, and many sectors may be permanently crippled.

—A.M.N.

Brokers' Backs Are Against the Wall

ied from preceding page) activities to include participation, financial analysis, other services. In the decade management has at half the brokerage in Paris, with newcomers armed with degrees in business and economics, influence is reflected in the newly elected board of governors of the Paris stockbrokers' union (the Compagnie des Changes, the administrative body of the Bourse), its average age is 42. Most notably, Yves Flornoy, a champion of reform, elected chairman.

During the course of the Bourse will become a market, with the phasing out of the forward market in its form in favor of one

cash market modeled after the New York Stock Exchange. Continuous trading, instead of the two-hour trading period, is expected to go into effect within six months of the change-over to a single cash market.

Electronic distribution of stock quotations has also passed from the study stage and should be a reality by mid-1978. Mr. Flornoy and his team are also studying ways of making options trading, introduced in France eight years ago, resemble more closely that of the Chicago Board of Options Exchange.

Because commissions in France are more lucrative for cash transactions, for both stocks and bonds, the unification of the cash and forward markets should benefit brokers financially, especially if they are successful in their current negotiations with the French ministry for an increase in commissions and a simplification of the multi-

tiered commission structure. The larger concern for the new breed of Paris broker, however, is the creation of bigger, more modern firms. "I think that New York brokers would have disappeared years ago," says Alain Boscher of Alain Boscher et Cie. "If it hadn't been for Merrill Lynch. They pulled the whole brokerage profession out of traditional business and adapted it to a more competitive world. That's what we need here. Very large firms able financially to support new concepts and new ideas."

Brokers like Mr. Boscher, 48-year-old Patrick Seller and others have embarked on an ambitious program of expansion and acquisition that is expected to reduce by a dozen the number of brokerage houses by the end of the year (and the number employed by the profession from 3,500 to 3,000), eliminating firms that don't make at least 10 million francs a year in commissions.



UNION DE BANQUES ARABES ET FRANÇAISES - U.B.A.F.

BALANCE SHEET AS AT 31.12.1976
 (IN FRENCH FRANCS)

ASSETS	1975	1976
Cash in hand, with Banks of issue	1,250,004	11,530,481
Advances with Banks and non-banking institutions admitted to the money market	6,832,485,582	8,620,068,953
Treasury bills and securities received as collateral paid in cash	—	126,000,000
Credit to customers - Bills of exchange	627,476,109	1,033,402,015
Credit to customers-Overdrafts	81,632,016	227,308,440
Expense accounts and sundries	348,845,473	483,232,141
Industry debtors	4,723,299	6,537,323
Ability of customers for acceptance as per contra	174,125,474	21,808,018
Securities portfolio	28,114,239	78,708,440
Investments in affiliates and participations	68,832,504	119,272,714
Fixed assets	—	4,799,327
Total Assets	8,198,434,706	10,732,515,852
LIABILITIES	1975	1976
Advances of Banks of issue, other banks and non-banking institutions admitted to the money market	6,924,177,400	9,085,436,030
Company and sundry accounts	347,436,198	608,397,226
Private accounts	2,329,775	7,538,101
Expense accounts, provisions and sundries	428,804,211	581,148,174
Industry creditors	91,062,872	23,341,556
Acceptances for accounts of customers as per contra	174,125,474	21,808,018
Securities convertible into shares	100,000,000	100,000,000
Bonds	—	124,243,750
Legal reserve	8,488,369	10,627,508
Other reserve funds	12,060,407	19,979,444
Capital	110,000,000	150,000,000
Total Liabilities	8,198,434,706	10,732,515,852

Ordinary General Assembly of the Union de Banques Arabes et Françaises - U.B.A.F. - during its meeting of April 23, 1977 at Head Office at Neuilly-sur-Seine has unanimously approved the accounts of the financial year ending 31.12.1976, noted that FF 11,533,200 against FF 9,166,800 in 1975, in accordance with paragraph 3 of Article 22 of the Articles of Association, the Ordinary General Assembly renewed the terms of the mandate of Mr. Ahmed BENHANI, Alahli Bank of Kuwait represented by Mr. Hussein Maikid, and of Mr. Mohamed EL-BAH, represented by Mr. Bouassria BELGHOUA and Crédit Lyonnais represented by Jean DEFLASSIEUX. The General Assembly noted the resignation of Mr. Maurice SCHLOGLER and decided, at the proposal of the Board of Directors, to appoint Mr. Gerard GERVAIS to the directorship which has become vacant.

The only complete range of business jets - worldwide.

Foremost in quality. Perfection in comfort. Leaders in technology.

FALCON 10

Range 2850 miles
12 passengers
The most advanced small business jet in the world

FALCON 20

Range 3850 miles
16 passengers
Range 1610/2100 miles

FALCON 50

Range 4650 miles
20 passengers
The first jet with 20 seats
Range 3625 miles
First flight in November 1976
Range 4650 miles

AVIONS MARCEL DASSAULT

The second leading manufacturer of business jets worldwide

FALCON 50

FALCON 20

FALCON 10

Distributor for Europe, Middle East, Africa.
DASSAULT INTERNATIONAL
B.P. 32 92420 Vaucresson - France

Distributor for North and South America and Japan.
FALCON JET CORPORATION
Teterboro Airport Teterboro, N.J. 07608 U.S.A.

Where? What? How much?

Three solutions to the problem of where to live in Paris.

Paris 20. RÉSIDENCE SAINT-BLAISE

Where? 145-147 boulevard Davout in the 20th Arrondissement. Near to the main arteries leading into the centre of Paris or out to Roissy Airport. Close to the Metro and bus routes and within easy reach of the department stores at La Nation.

What? A fine, modern building with style and character. Well designed and spacious throughout from the studio to the 4-room apartment.

How much? The prices (garage included) are amongst the lowest in Paris: 2 rooms Fr 266,700*, 3 rooms Fr 311,800*, 4 rooms Fr 387,700*.

Paris 18. SUPER CHAPELLE

Where? 100 rue de la Chapelle, Paris 18. Close to the Boulevard Périphérique and the Autoroute du Nord leading to Roissy Airport and north to Brussels. With the Metro to the centre of town on the doorstep. An ideal location for a "piéd-à-terre" in Paris.

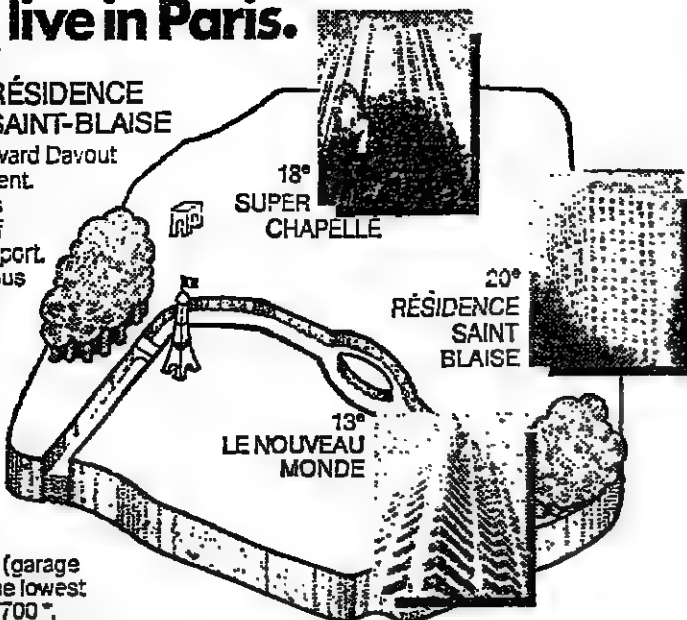
What? Studios, 2, 3, and 4-room apartments designed for practical living. An attractive entrance hall. Well designed apartments, ready for decorating. Well dimensioned kitchens and bathrooms. No detail has been overlooked.

How much? Garage included, the studio apartments are priced at Fr 163,000*, 2 rooms at Fr 240,000*, 3 rooms at Fr 300,000* and 4 rooms at Fr 355,000*. Here too the prices are more than reasonable.

Paris 13. LE NOUVEAU MONDE

Where? 69 rue Dunois. In the well-known "new 13th Arrondissement" not only with its modern shopping centers, buses and Metro (Chevaleret station), but also with its traditional markets, neighbourhood stores and tree-lined avenues. Easy and rapid access to the Boulevard Périphérique, the

* Average prices as of April 1977



A6 Autoroute and the Gare d'Austerlitz and Gare de Lyon rail stations.

What? Styled for gracious living. Bright, spacious apartments with a cleverly designed glassed-in loggia, ideal as a cocktail corner or winter garden. Large living-rooms, roomy closets and deep cupboards.

How much? Whatever the floor, from the 1st to the 26th, the price for each type of apartment (garage included) stays the same: 2 rooms Fr 231,000*, 3 rooms type 4 Fr 333,000*, 4 rooms type 7 Fr 393,000*.

Promoter
LES LOSANGES
57, bd Maiesherbes
75008 Paris
Tél. 261.81.15

An OCIL GROUP Development

Cut out and send this coupon to the address shown: Please send me further details without obligation

Name _____
First name _____
Address _____
City _____
Postcode _____
Tel. _____

HT



A Profile of Some Major Industries...

Transport

By Henry Scott Stokes

PARIS (IHT).—Much the largest organization in the transport field in France is the national railways (SNCF), with a turnover of over Fr. 20 billion (\$4 billion) and a staff of more than 775,000. The SNCF is the largest employer in the transport sector in Europe apart from the Deutsche Bundesbahn, and its importance was emphasized by a government decision last year to give to the regions greater authority over the use of the existing rail network.

It was realized that Paris had weighed too heavily in decisions involving railway lines in the provinces. Experiments in the Lorraine and in the South of France with the Metro and Metrasur services had shown that people attached more importance to the availability of rail services than the central planners of the SNCF had allowed. Bus services had found less favor in the regions.

The SNCF has labored under two major disadvantages. However, the increase in road transport and the greater use of automobiles have made regional lines uneconomical. During the 1950s and early 1960s, 10,000 kilometers of regional railway lines were closed. Yet the SNCF has continued to suffer losses: in 1975 the deficit recorded was over Fr. 1,100 million (\$220 million).

Persistent losses have limited the scope of the SNCF to invest and to improve the existing network. In 1975, the last year for which figures are available, the SNCF received less than the RATP (the public transport in Paris) for investment, obtaining a total of Fr. 1,242 million for investment as against Fr. 1,479 million allotted to the RATP. The disparity is explained by the need to provide better Metro services in Paris, where the subways are greatly overcrowded at peak hours.

The loss-making performance of the SNCF is justified on the grounds that it is necessary to provide public services. Public transport thus receives subsidies. The government's view is that the provision of cheap transport to workers, elderly people and others is justified because these

sections of the community often cannot afford to buy cars.

Yet this policy has not been accompanied by the injection of sufficient funds to permit the SNCF to reopen regional lines. And the handicap under which the railways run may be indicated by another investment comparison. In 1975 Air France alone invested almost as much (Fr. 1,232 million) as the SNCF, although it serves a limited section of the French public.

Construction

PARIS (IHT).—Although contrasting regional trends in construction persist and tend to obscure the national picture, the outlook for the French building industry overall is, in the words of a National Builders' Federation (FNB) official, one of "slow and continuing decline."

Geographic differences make generalizations difficult. New housing starts in the Paris region continue to be one-third below 1974 levels, while in Poitou-Charentes, in the west, for example, 25 per cent more housing is being built than three years ago. Similarly, 28 per cent more commercial and industrial building permits were issued in the French provinces last year than in 1975, compared with a 20-per-cent drop for Paris.

But when the country is taken as a whole there are fewer, if any, bright spots. The slight upturn last year in activity in the maintenance branches of the industry was not enough to compensate for the decline in new construction. Total turnover for all branches of the industry was down 1 per cent from 1975 and is expected to fall by another 2 per cent this year. And even when building industry totals are added to the somewhat better output in public works, the two sectors taken together showed no growth between 1975 and 1976.

Other indicators are scarcely more encouraging. Labor costs last year were up 18 per cent nationally; the price of lumber and steel rose faster than the consumer price index; the new-home market is gradually becoming saturated, and government housing policy has shifted away from new construction in favor of rehabilitating older dwellings.

Builders' attention is currently being focused on what are seen to be four distinct markets emerging within the industry and on how to cope with their different rates of development.

The new construction branch will continue to be dependent to a very large degree on state housing policy. Although Seventh Plan estimates see the need for 500,000 new housing units annually to 1981, the industry is skeptical. Only 449,000 units were built last year, or 13 per cent fewer than in 1975; there was a 23-per-cent decline, moreover, in new housing starts for the rental sector of low-cost public housing in 1976. Under these circumstances builders are looking to construction and public works overseas (last year accounting for 4 1/2 per cent of the two sectors' turnover) as "indispensable" to the growth of the industry.

Another factor that is expected to affect new construction, although in a less immediately quantifiable way, is last January's legislation greatly reducing the options to build without the services of an architect. The 5,000 members of this profession in France will now have a greater say in the choice of styles and building materials. Builders are also beginning to feel pressure from environmentalists when choosing construction sites.

Taking as its cue the government's stated preference for modernizing existing buildings to meet housing needs, builders have much greater hopes for this emerging and as yet virtually unregulated branch of activity. Between 150,000 and 200,000 older dwellings annually undergo major renovation and the branch last year accounted for a third of the industry's turnover, up 2 per cent from 1975.

The one generally static branch of activity is normal maintenance and minor building improvement, where both the nature and volume of demand remain unchanged. But the FNB hopes to "re-conquer lost territory" in the area of repair services. The federation is particularly interested in this branch where it believes much of the industry's reputation, good or bad, with the public is made. While increased use of electrical appliances implies more work for plumbers and electricians, the industry must increasingly compete for this business with after-sales services offered by retailers.

—D.C.

Computers

PARIS (IHT).—Reorganization of the French computer industry was one of the principal industrial policies of the French government when President Giscard d'Estaing came to power in 1974. A year later (1975) came the basic agreement under which CII, the only wholly French company, and Honeywell Bull were merged last summer with the French taking 53 per cent of CII-Honeywell Bull.

This solution to the industry's difficulties has been controversial. France has retained control of the new company; this is satisfying to national pride and to Giscardian supporters amongst the Gaullists. At the same time, however, CII-Honeywell Bull is dependent on Honeywell for its future, notably in the 80s.

Another aspect of the CII-Honeywell Bull arrangement which has been questioned, especially by the left, has been the French government's decision to give the new firm Fr. 6 billion (\$1,200 million) over four years up to 1980. L'Humanité has described this arrangement as a Fr. 6 billion "bonus" for Honeywell.

The government's argument has been that there was no other solution in sight other than the arrangement with Honeywell. Honeywell has about 27 per cent of the French market, in terms of the value of installed systems, together with CII. CII's market share, the authorities argue, was too small to enable it to compete with either Honeywell Bull or the industry leader, IBM France, which has 50 per cent of the French market.

So far the government reorganization of computers has been neither justified nor refuted by the figures. Honeywell Bull has changed its accounting system, and it is hard to make comparisons between the situation which obtained before the merger and the current position. At the same time, the Fr. 6 billion injection of funds, plus guaranteed orders

from state bodies, means that CII-Honeywell Bull could well achieve its target of overtaking IBM in the French market by 1980.

The biggest criticism of the new arrangement, however, may be that it has not allowed for the cutting back of Honeywell Bull and CII staff to the point where productivity would compare with IBM. At present IBM France with 20,000 employees, makes about as much money as the largest of the European electronics firms, Philips (with a staff of 400,000). That is a measure of IBM's competitiveness. To cop with this rival in France will be no easy task for CII-Honeywell Bull.

—H.S.S.

Steel

PARIS (IHT).—Reshaping the steel industry is proving to be a hard task for the government. On April 19 Prime Minister Raymond Barre proposed that a sum of \$2.4 billion be plowed into the industry, to make it competitive on international markets.

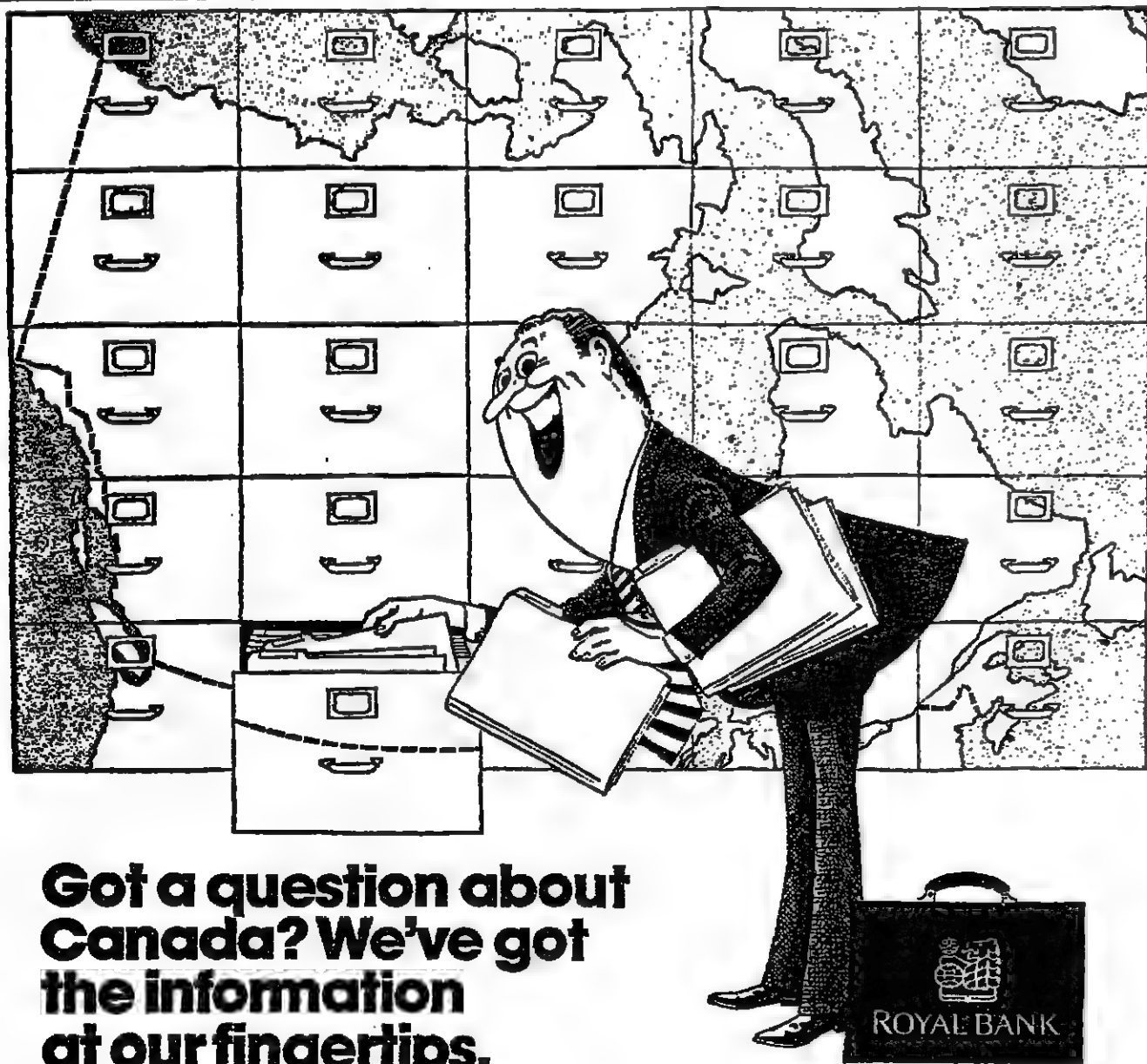
However, the task which faces the steel industry is awesome. Already \$7 billion has been invested in the steel companies in 10 years, and yet their performance remains poor.

The industry—in which the leading producers are Usinor or Sacilor—has been losing money for the past seven years. Accumulated long-term debts already exceed turnover and in 1976 both Usinor and Sacilor lost more than \$300 million.

Since then these two companies which accounted for most of the year's production of 33 million tons of crude steel, have been heavily in the red. The quick way to improve their performance would be a reduction in manpower.

The industry has proposed that some 16,000 jobs be eliminated over the next three years. This, however, a target which Barre is unable to support. Unemployment is strong.

To weed out this number of jobs—causing only a few thousand men to become unemployed as the majority of the cuts was made by retiring men early—(Continued on next page)



Got a question about Canada? We've got the information at our fingertips.

We have assets of more than 28 billion dollars. Which makes us Canada's biggest bank. We have over 1475 branches all across the country. So if you choose us to start with, you can do business virtually anywhere in Canada without having to choose again.

We can also provide you with the latest information on business conditions anywhere in Canada quickly and accurately. Our International Centre in Halifax, Montreal, Toronto, Winnipeg,

Regina, Calgary and Vancouver can provide you with the direct link to our international network.

And if you send us a request on your corporate letterhead, we'll rush you a copy of the very latest edition of "Businessman's Canada". It's important information for businessmen about doing business in Canada.

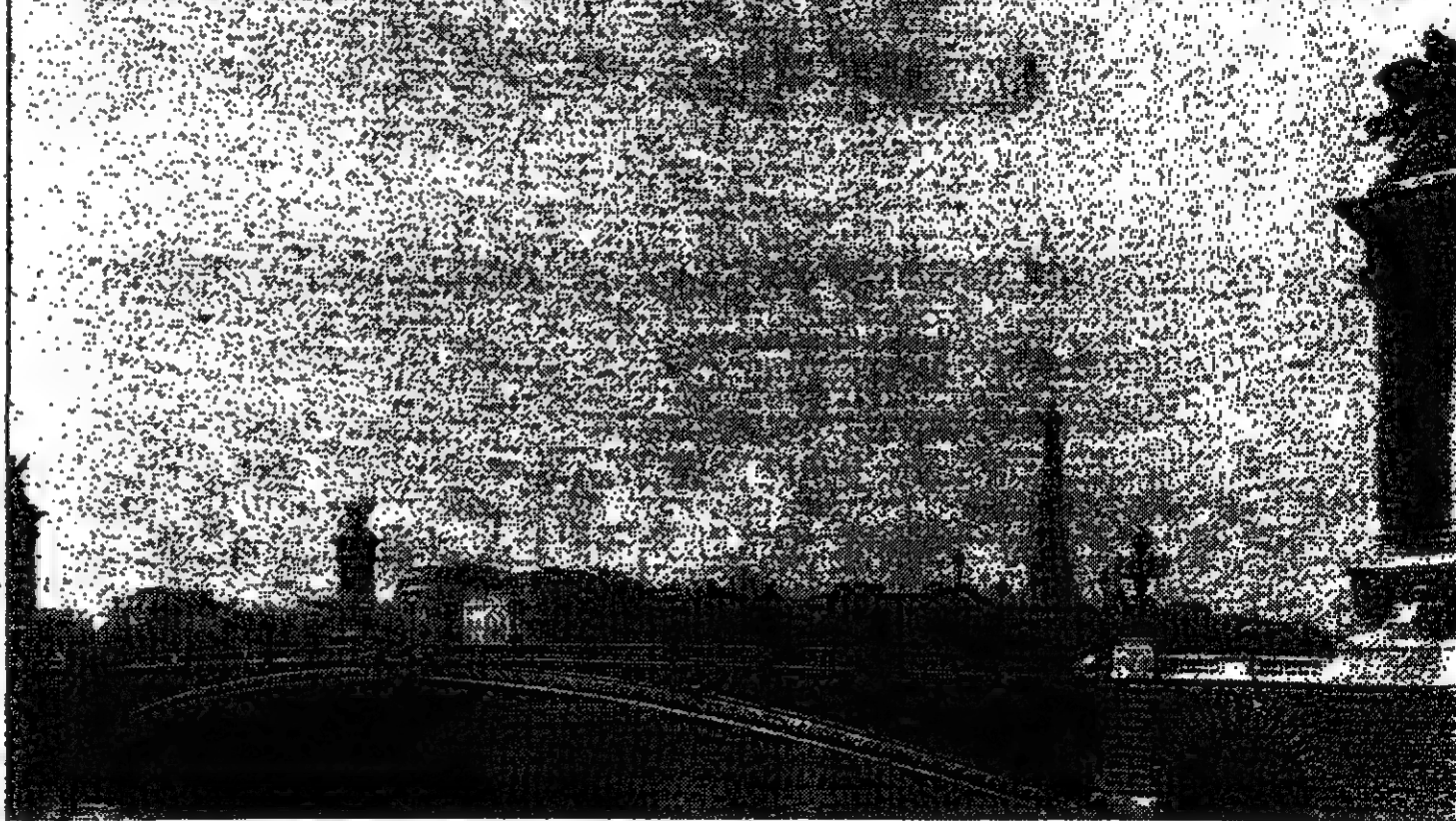
If there's anything else you want to know just call one of the numbers listed below. We'll put the information at your fingertips.



THE ROYAL BANK OF CANADA
Canada's Leading International Bank.

Subsidiary:
The Royal Bank of Canada (France)
3, rue Scribe - Paris Cedex 09
Tél. 742.02.40.
A. de Takacsy - President
G. A. Voyer - General Manager
D. N. Romain - Manager.

THE ALLURING LEFT BANK



The Rue St Dominique or the discreet charm of the bourgeoisie

The seventh arrondissement has always been the fashionable district of the Left Bank in Paris. Extending in both directions from the Invalides, the Rue St Dominique, is an elegant street of freestone facades, majestic entrances and archways leading to quiet interior gardens.

Near the Avenue Bosquet, on the most lively part of the Rue St Dominique, a new residence has harmoniously taken its place.

Integrated architecture, or a certain sterling classicism

Luxurious but discreet, decorated in stone and bronze, the facade of the Ambassades St Dominique recalls the luxurious buildings of the turn of the century.

The architecture is modern but not ostentatious, fitting elegantly into its surroundings.

35 exceptional floor plans

Depending on the direction in which they face, some of the apartments are bathed in sunlight, some are exceptionally quiet, some look out on gardens, and others have an uninterrupted street view. There are apartments with balconies and others with a large terrace. Some are duplex apartments and others are on one ultra-spacious level. A few open out onto their own private gardens.

Comfort: the luxury of our age.

The livingroom floors in the large apartments are solid oak parquet "en point de Hongrie". Thick wool carpets in subtle colors decorate all the bedrooms. The closets in mahogany, walnut, oak and ash, and the exclusive tile designs in the bathrooms constitute an outstanding point of departure for your own interior decoration.

Les Ambassades Saint Dominique 96-98 Rue St Dominique Paris 7^e

On-site sales office open Tuesday through Saturday, 2-7 pm or by appointment. Tel. 705.69.11

For those who appreciate true prestige. Exclusively.



Please telephone me (M.) at: from: to:

— I would like to receive your brochure and enclose my business card.

— I would like to receive further details on your project.

Return this coupon or your business card to SOFAP, Service Commercial, 15, rue Murillo, 75008 Paris. Tel: 766.51.03.

هنا من العمل



Restructuring Has Taken Place but Leaves Some Room for Doubt

(from preceding page)
of pay and finding
in different sectors—
seem an impossible
total employment in
is around 155,000.
elimination of one
is proving very diffi-
cult. When Usmon
close down a small
at Thionville in the
region in April, there
loss of union discon-
look for reorganizing
is thus uncertain.
—H.S.S.

Automotive

HT)—France's auto-
are engaged in a
moves they hope will
r future health, at
abroad. For despite
duction year in 1976,
saw its control of
c market weaken as
engaged to raise their
20 to 23 per cent of

conspicuous example
pt to meet new com-
merger of Peug-
troën. While Peug-
sual strength com-
with Citroën's red
companies brought
production capacities
4,000 cars per year
le merger of Peug-
troën. While Peug-
sual strength com-
with Citroën's red
companies brought
production capacities
4,000 cars per year
le merger of Peug-
troën. While Peug-
sual strength com-
with Citroën's red
companies brought
production capacities
4,000 cars per year

1 in September with
500 million in state
a handsome 600-mil-
last year and even
Citroën automobile
the black. Peugeot's
sk the take-over ap-
pe worked, and the
is satisfied that a
stitive balance has
bed between private-
1960; and nationaliz-
i by its 57-billion
ance, the group has
ract to manufacture
omania, and is cur-
suing with the gov-
Portugal and Iran

for similar projects, as manage-
ment confidence seems to be
taking hold.

But the company's intention to
keep model ranges in competition
—at once catering to the strong
loyalty of French auto customers
and denying the Japanese a
chance to absorb abandoned deal-
ers—will preclude standardization
of body styles or suspension sys-
tems. Peugeot-Citroën claims its
strategy will give customers a
wider choice and the group a
larger market share, but the ex-
pense of running separate com-
panies and the sacrifice of ratio-
nalization economies eventually
may cut into company profits or
competitive position.

While Peugeot eschews diversi-
fication, Renault hopes to com-
pensate for lowered auto growth
prospects by adding non-automotive
holdings that could ultimate-
ly account for half the group's
sales. Company aspirations of
moving into fast-growth sectors
have been partially dashed, how-
ever, by the government's in-
sistence that Renault act as a
rescue vehicle for ailing com-
panies in such troubled indus-
tries as machine tools and farm
equipment. But the company's
car sales remain solid with a 32-
per-cent share of the national
market.

France's American-owned entry,
Chrysler-France, improved its
position last year to take a 10-
per-cent market share with a new
Simca model designed jointly by
the French and British subsid-
aries which is to be distributed
throughout Europe. On a more
ambitious scale, Ford has pro-
jected Continental sales of 400,000
this year for its small-displace-
ment Fiesta, which could directly
challenge Renault's popular RS
model.

—A.M.N.

Telephone

PARIS (UPI)—The reorgani-
zation of the national tele-
phone market last year was the
most dramatic, intricate and
money-laden example of the gov-
ernment's interventionist policy
to establish French presence in
a strategic industry. Along with
the computer and nuclear sectors,
the orchestration of the tele-
phone business was the most
successful application of the

"franchization" tactic of cooing
foreign multinationals to relin-
quish local holdings to French
control.

The 100-billion-franc planned
expenditure to bring French tele-
phone service up to international
standards is the centerpiece pro-
gram of the current Five-Year
Plan. It will double the number
of exchange lines to 15 million
by 1980 and will create 90,000
total jobs in the public and
private sectors.

From a standing start, Thom-
son-CSF, one of the two French
electronics giants, gained a domi-
nant position in a market from
which it was previously absent,
as the government challenged
and eventually won its way with
mammoth TTT and then dictat-
ed the rules of the game to
Sweden's Ericsson. The plan
also assures Thomson's rival, Cie.
Générale d'Electricité (CGE), a
secure position in next-genera-
tion telephone-switching equip-
ment.

ITT was forced to cede con-
trol of one of its French subsid-
aries, Le Matériel Télépho-
nique (LMT), to Thomson for
720 million francs in compensa-
tion. But the other affiliate,
CGCT, was given state guarantees
that contracts from the French
PTT would preserve its 16-per-
cent local market share. Both
LMT and CGCT produce ver-
sions of the Matécon space
switching system, but the PTT
selected the CGCT-TTT model
for the initial stage of urban
installations. And for export
sales, Thomson and ITT made
no division-of-market agreements,
so the two sister systems will
compete directly for foreign con-
tracts.

Thomson took control of Sté.
Française des Téléphones
Ericsson (SFTE) with a several-
hundred-million-franc payment
to the Swedish parent firm and
an 80-million-franc transaction
for CGE's 16-per-cent share in
the local subsidiary. The
Ericsson Axe space switching
system will be the successor to
the first round of Matécon
installations during 1973, and the
two parent companies have
claimed certain country markets
in Europe, the Middle East and
Africa to regulate export com-
petition. But the PTT only for-
mally accepted the Axe system

after Ericsson agreed to pump
an additional 125 million francs
into its former affiliate to cover
a suspicious 1976 income deficit
traced to accounting irregular-
ities.

Meanwhile, CGE will take
charge of time-switching equip-
ment through its CTA-Alcatel
subsidiary, which produces a
current 2-10 system that will
continue to equip rural networks
and will manufacture an ad-
vanced 2-12 model to replace
obsolete electromechanical equip-
ment after 1981. Both time and
space switching models are elec-
tronic systems offering high
performance, more compact
physical plants and options to
tie into other computer func-
tions.

In addition to the industrial
advantages of scale created for
French manufacturers, which now
hope to double export sales to
two billion francs in five years,
the government goal for custom-
ers is to reduce the average
waiting time for telephone instal-
lation from one year to about
three months. But consistent
with the antiquated state of the
French network, a projection of
16 million telephone receivers
needed to make use of the new
lines in the next seven years is
greater than French receiver
production since the invention
of the telephone nearly a cen-
tury ago.

—A.M.N.

Agriculture

PARIS (UPI)—The necessity
of restructuring and stream-
lining industries in the agriculture
and food processing sectors was
confirmed last year with the con-
solidation of two advisory com-
mittees that prepared recom-
mendations for the current Five
Year Plan.

Three of the basic recom-
mendations of the committee may
have long-range impact on
France's balance of trade and on
the profile of its agribusiness:
the adjustment of EEC regula-
tions on agricultural production
and market exchanges, improve-
ment of France's position in non-
EEC export markets and the pro-
gressive integration of the two
industries.

As the second largest world
exporter of agricultural products,

France enjoys a privileged po-
sition within the Common Mar-
ket. This is particularly evident
in the case of grains, in which
French production is twice the
level of national consumption
and which largely accounts for
the EEC's 81-per-cent self-suf-
ficiency level in the commodity.

Although France earned \$1 bil-
lion "exporting 60 per cent of
its grain output to European
partners, at higher than world
market prices, government and
industry officials are pressing
Brussels bureaucrats to ease EEC
regulations in order to facilitate
exports to Third World and
East Bloc countries. While Com-
mon Market price support
policies were conceived in the
1960s to insure the availability of
agricultural products to member
states, a Commission member
explained that the increased self-
sufficiency level of the Nine
should allow policy changes to
help each country's efforts out-
side the EEC.

France, therefore, seeks the
independence of action to move
quickly and competitively in ful-
fillment of one of the Seventh
Plan's priority programs to raise
the agricultural trade surplus to
20 billion francs by 1980. Last
year, exports rose 17 per cent,
but the drought and certain com-
modity price hikes induced a
22-per-cent jump in the value of
imports that cut the trade sur-
plus to 3.3 billion francs.

While fruit and vegetable pro-
duction suffered from a lack of
water, the sugarbeet crop was set
back by heavy rains that followed
the drought. To offset the effects
of extreme weather phenomena in
the future and to prepare for a
tripling of irrigation needs in the
next decade, the government
allocated 3.5 billion francs for a
13-year water conservation and
dam construction program.

The need to meet competitive
pressures also instigated several
structural changes at the food
processing stage. Among the
moves, Ceraliment, Europe's lead-
ing grain company, acquired the
Franco-Belgian biscuitmaker, LU-
Brun, adding 12 factories in seven
countries in the process; while a
major meatpacker merged with
a cattle-raising co-op to supply
finished products to butchers and
supermarkets. But industry rival-
ry, limited understanding of
export operations and poorly co-

ordinated government policies
continue to be the ruling factors
in French agribusiness, which
prompted one food processing ex-
ecutive to term the Seventh Plan
trade and restructuring goals
"worthwhile, but wishful think-
ing."

—J.P. FRANKENHUIS.

Shipping

PARIS (UPI)—The scope for
"restructuring" the small
French shipbuilding industry was
indicated last year by the mer-
ger of the leading company in
the industry, Chantiers de l'At-
lantique, with Alsthom, the elec-
trical engineering company which
belongs to CGE, the French elec-
trical giant.

Chantiers de l'Atlantique had
declared a net profit of Fr. 50
million (\$10 million) in its last
year before the amalgamation—
and the creation of Alsthom At-
lantique—but its prospects were
uncertain, given the dominance
of Japan in world shipbuilding,
a preponderance which became all
the more obvious in 1976, when
the Japanese took three quarters
of world orders.

The merger of Chantiers de
l'Atlantique (1975 turnover \$450
million) has led to speculation
about the future of the rest of
the industry, in which the main
firms are Chantier Naval de La
Ciotat, Dubigeon Normandie,
CNIM and Provençale des At-
eliers Terrin. Their scale of opera-
tion is small by world and even
by European standards—turnover
ranges between \$200 million and
\$100 million in the four com-
panies.

The response of La Ciotat has
been to combine operations with
Alsthom Atlantique. Joint tend-
ers are made and there is tech-
nical cooperation between the
two companies. They have not
gone so far as to set up financial
links, however, and La Ciotat re-
mains controlled by the Lebanese
bank Infra Bank—offering it a
connection with Middle East cus-
tomers.

But the financial restructuring
of the industry has yet to take
place. There are two basic strat-
egies. One is to have the yards
join together; the other is for
them to be absorbed into larger
industrial groups with no con-
nection to shipbuilding. So far,
the latter strategy has prevailed.

The other approach to the in-
dustry's problems has been EEC
discussions with the Japanese via
the Organization for Economic
Cooperation and Development in
Paris. These have not led to
concrete decisions, and the pros-
pect is that even the Japanese
will lose their competitiveness in
the 1980s (as South Korea and
other new shipbuilders enter the
field).

—H.S.S.

Aviation

PARIS (UPI)—The French gov-
ernment is struggling current-
ly to define a coherent long-term
plan for development and pro-
duction of new commercial air-
liners that will reestablish the
national aeronautics industry in
a competitive position on world
markets.

The thriving and aggressive in-
dustry has managed to capture
and hold a significant share of
domestic and export markets for
its military equipment in the past
two decades. Mirage fighters of
Dassault-Bréguet have been sold
at home by the hundreds and
shipped abroad by the thousands.
A new generation of Mirages is
under development to sustain the
pace.

Helicopters and advanced tac-
tical missiles from Aerospatiale
have been selling briskly through-
out the world, including such
competitive and relatively closed
markets as the United States and
Britain. And in the business-jet
market, which is dominated by
U.S. manufacturers, Dassault re-
cently was awarded a contract
to provide the U.S. Coast Guard
with 41 specially modified Fal-
con-20 jets worth \$228 million to
be used for coastal surveillance work.

But in the lucrative commercial
airliner field, France has had only
limited success since the heyday
of the Caravelle jet transport in
the mid-1960s. Hopes for exten-
sive sales of the Anglo-French
Concorde supersonic transport, the
German-French Airbus jumbo jet
and the more conventional 130-
passenger Dassault Mercure have
fallen to materialize. With 36
firm orders, only the Airbus holds
realistic prospects for continued
sales.

Industry and union officials
here have called on the govern-

ment to fund new versions of
the Airbus and Mercure, as well
as new transport designs proposed
by Aerospatiale. But the cost of
developing new airliners has risen
astronomically in recent years,
and neither the state nor the in-
dustry alone can afford the in-
vestment.

Thus, the government endorsed
talks for a joint development
program between Dassault and
McDonnell Douglas two years
ago. Aerospatiale joined the ef-
fort after failing to reach agree-
ment with Boeing, and the three
equal partners announced as the
end of last year plans to build a
short to medium-range civil
transport.

The new aircraft would be de-
rived from the Mercure and
jointly produced in the United
States and France as a replace-
ment for the aging fleets of
Boeing 727 and Douglas DC-8
jetliners. Poor response to the
new joint model from major air-
lines, however, has prompted Mc-
Donnell Douglas to rethink the
project in preference to a longer-
range, higher passenger load
model that carriers seem more
eager to order. The American
builder would then meet medium-
range aircraft needs with a
stretch version of the DC-9 to
compete head-on with similar
models planned by Boeing and
Lockheed.

But the possibility of the
French and American partners
designing a larger transport
would clash directly with exist-
ing French and German inten-
tions to extend the Airbus range
model, as well as with McDonnell
Douglas's own medium-to-long-
range airliner now on the draw-
ing boards. French officials re-
peatedly have said they would
not pursue a joint transatlantic
venture at the expense of the
Airbus program, but the loss of
the American partnership almost
certainly would make Mercure
development a hypothetical project.

With few attractive options
open to it, the French aerospace
industry is likely to face mem-
berment cuts and a reduced
contribution to the nation's trade
balance. More worrisome, Air
France and the two major do-
mestic carriers could turn abroad
for future fleet replacements.

—A.M.N.

(Continued on Page 10)

Just how important is a good business address to your business?

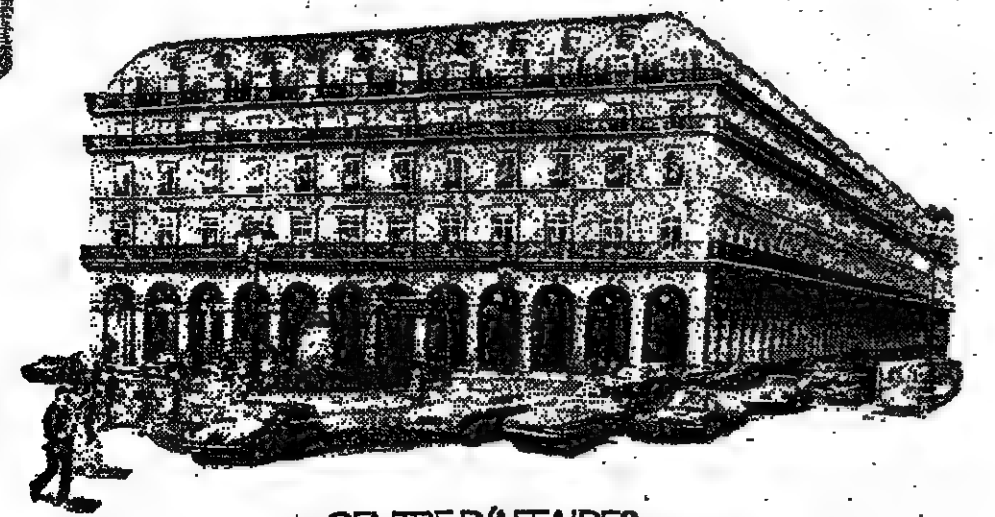
Some business addresses have a kind of magic about them. They make immediate impact over the whole world. They impress. That is why we are proud to announce the opening in January 1978 of the Centre d'Affaires Le Louvre, Place du Palais Royal, Paris.

The architecture of a famous nineteenth century building is being restored with great sensitivity. Its handsome facades, arcades along the Rue de Rivoli and internal courtyards, will provide the elegant framework to an office interior which meets to day's most exacting requirements and is designed for big and small companies alike.

The whole imposing complex of over 400,000 sq ft stands in the financial, administrative and cultural heart of Paris. The Palais du Louvre and the Ministry of Finance are opposite; the Bank of France is close by. Communications are excellent; access to the airports easy and the building's management and services will be of the highest quality.

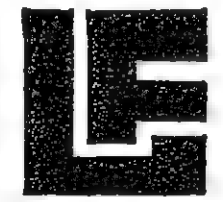
This unique combination of advantages will make the Centre d'Affaires Le Louvre, not just the best business address in Paris, but one of the best in the world.

For full information contact: GIM-SARI Centre d'Affaires Le Louvre BP: 284.01 - 75024 PARIS CEDEX 01 - Tel.: 260.20.10.



CENTRE D'AFFAIRES
LE LOUVRE
PLACE DU PALAIS ROYAL 75001 PARIS FRANCE

© 1977 Paris Le Louvre



BANQUE LIBANO-FRANÇAISE S. A. L

LEBANON

BANQUE LIBANO-FRANÇAISE (France)

PARIS

As members of the Suez Group in the Middle East, we think Arab and even more important, we think International.

Whether your transactions are from the Middle East to Europe or from Europe to the Middle East, you can rely on our assistance for all your commercial and financial operations.

We are also ready to advise you on investment opportunities and portfolio management.

If you would like to find out more about us, please contact us at your convenience at either of the addresses listed below.

LEBANON

Balance sheet at 31-12-76 (unaudited):
Total: L.L. 732,000,000
Per contra a/c: L.L. 285,000,000

BANQUE LIBANO-FRANÇAISE S.A.L.
Rue Riad-El-Solh,
Beirut - Lebanon.

Tel.: 220.340. Telex: LIFREX 21078 LE.
LIFRET 21230 LE.

PARIS

Balance sheet at 31-12-76 (1st fiscal year):
Total: F.Fr. 733,535,156.31
Per contra: F.Fr. 394,426,647.36

BANQUE LIBANO-FRANÇAISE (FRANCE)
33 Rue de Monceau
75008 Paris - France

Tel.: 766-51-88 - Telex: BLIPARI 640 823 F
LIPARIS 640 822 F
BLFOREX 641 221 F



Restructuring of Nuclear, Oil Sectors to Meet Energy Challenge

Nuclear

By Michael Parrott

PARIS (IHT).—At the beginning of this month a 900-megawatt nuclear power station started producing electricity at the small village of Fessenheim in upper Alsace. The event was given considerable publicity by the protest of local environmentalist organizations, but the real significance of the occasion was not always appreciated by the public. For here was the first of a new generation of light-water reactors based on U.S. technology which will eventually be built all over France. By 1983 between 40 and 50 of these units will be required if the government is to realize its ambitious target of meeting 25 per cent of France's energy needs at that time with nuclear power.

The Fessenheim unit came on-stream some 12 months behind schedule, but its start-up coincided with the completion of a vast industrial restructuring which has assured France a key position in the international nuclear equipment business.

It was back in 1969 that French President Georges Pompidou took the crucial decision which enabled France to join the mainstream of the nuclear industry. Until then the government had concentrated its industrial effort on a graphite-gas technology developed by the state-owned Commissariat à l'Energie Atomique (CEA), as an offshoot of the force de frappe. The technology was perfectly sound, but with an increasing number of countries opting for light-water reactors designed by Westinghouse or General Electric, export prospects were not encouraging. In 1969 the French president formally scrapped the French technology in favor of the light-water design and a year later Electricité de France selected the Westinghouse PWR design for the Fessenheim plant.

The president's decision was an important victory for Belgian industrialist Baron Empain, whose engineering interests in France had developed the Westinghouse design while manufacturing parts for the graphite-gas reactors. In 1972 Creusot-Loire, in which the

baron held 50 per cent, and Westinghouse set up a joint manufacturing company Framatome, in which the U.S. group held 45 per cent.

But the government did not initially want to give Framatome a monopoly of the reactor business. At the time it was thought more sensible to have two industrial groups competing for the favor of state-owned Electricité de France (EDF). So when Compagnie Générale d'Electricité (CGE) offered to manufacture light-water reactors using the General Electric boiling-water process, the government agreed to two orders and six options on condition that the company came up with a satisfactory industrial package. The same policy was adopted in the turbo-set sector where Alsthom, the CGE subsidiary, was promised all future orders for Westinghouse plants and Compagnie Electro-Mécanique (CEM), the subsidiary of Brown Boveri et Cie (BBC) of Switzerland, those for General Electric models.

From the start Framatome was in a much stronger position in the light-water reactor field. Whereas CGE would have been forced to subcontract large amounts of work to other companies, Framatome was almost self-sufficient. But when it came to fast-breeder technology CGE was the leading star with 65 per cent of the GAA group which built the 230-megawatt pilot plant Phenix at Marcoule. Babcock & Wilcox, which had originally hoped to sell the Babcock and Wilcox system for light-water reactors, held the remaining 35 per cent in the project, which was based on CEA technology.

In the first panic after the oil crisis it really looked as if France might be able to afford the luxury of choosing between two suppliers. Prime Minister Pierre Messmer announced in March 1974 that thirteen plants would be ordered within the next two years in a program which would result in 50,000 megawatts of power being installed by 1985. But as electricity demand slowed down under the impact of the recession and international competition in the nuclear field became hotter, the French government realized that there was just not enough work for two manufacturers.

In August, 1975, CGE learned

that its aspirations to enter the French nuclear reactor market were finished. A top-level meeting at the Elysée canceled the two orders that had been offered two years earlier and conferred all future contracts on Framatome.

At the same time it was decided that CEA, which had been quietly working on a light-water design of its own, should take a 30-per-cent stake in Framatome at the expense of Westinghouse, which would see its participation fall to 15 per cent. Rather than compete with Westinghouse, CEA was to collaborate with the U.S. company with the view to bringing out a French version of its technology. In 1982, the French group was not, however, given the 35-per-cent blocking minority it had sought.

Six months later CGE and

Babcock & Wilcox were edged out of the fast-breeder business when the government decided that the 1,200-megawatt Super-Phenix fast-breeder project should be the responsibility of a new group, Novatome, in which Creusot-Loire would be the majority shareholder alongside the CEA and Alsthom, now merged with the shipbuilding group Chantiers de l'Atlantique. It is not yet sure whether CEA will again only receive 30 per cent or whether it will this time be given a blocking vote. But if Baron Empain had now gained a complete monopoly of the nuclear reactor business from conventional to fast-breeder models, CGE felt entitled to some compensation. Last autumn this compensation came when CEM was obliged to sell its turbo-set interests to Alsthom-Atlantique, which will now have a complete monopoly in this sector.

Oil

PARIS (IHT).—Last year private shareholders of French natural gas producer Société Nationale des Pétroles d'Aquitaine (SNPA), in which the state held 51 per cent, agreed to their company taking over the assets of the 100-per-cent state-owned oil company ELF-Erap. The decision was historic in that it finalized the restructuring of the French oil industry. In the future French oil interests would be represented by two groups—the newly created ELF-Aquitaine, with some 34 billion francs of sales and a state participation of 70 per cent, and the veteran Compagnie Française des Pétroles (CFP), with over 40 billion francs of turnover and state voting participation of 40 per cent.

These two companies together

account for some 50 per cent of the French refining and marketing business. They also account for nearly 80 million tons of annual oil production and for an exploration activity which compares favorably with the world's oil majors. Helping them is a French tanker fleet of some 15 million tons deadweight, which transports two-thirds of France's crude imports; French engineers who have developed a technological expertise—especially in the off-shore—which is second only to the Americans; and an equipment industry which until recently was in an equally strong position.

No one could have foreseen such achievements 50 years ago when the Anglo-Saxon oil companies effectively took over the international oil business. At the time, France only gained a participation in the Middle East because of diplomatic bargaining

after the First World War. The takeover of Turkish interests was enough to justify the creation of CFP but it was only because of the determined efforts of successive governments that France's role in world oil has not been limited to that of an Iraq Petroleum Company shareholder.

Oil Legislation

The determination of the French government to have a say in the national oil industry made itself felt as early as 1928. It was then that the state assumed responsibility for all crude imports into France, all refining operations on French territory and all marketing of refined products. Thanks to oil legislation introduced in that year, companies wishing to refine crude oil in France must secure two-year authorizations, and those that wish to market refined products ones of three years. These authorizations have been used to insure maximum security of supply and stable prices.

But the French soon realized that they could not depend on CFP's share in IPC alone. Even before the war the government set up state companies with the responsibility of looking for oil and gas resources on French territory. One of these, Régie Autonome du Pétrole (RAP) discovered oil in the Pyrenees in 1938. A second, SNPA, set up in 1941, was to make the giant natural gas discovery of Lacq in 1947. And it was thanks to a third, Bureau de Recherche du Pétrole (BRP), set up in 1945, together with RAP and CFP that the huge oil and gas fields of the Algerian Sahara were discovered in 1958. In 1952 the French subsidiary of Exxon found oil at Parentis in Aquitaine and four years later ELF was to discover oil in Gabon. During this period the bulk of France's exploration efforts came from these state-owned groups rather than from CFP.

It was only after the Second World War that the French fully realized the need for national research in the oil field. In 1947 Institut Français du Pétrole (IFP) was set up, an organization which has been responsible for many of France's subsequent breakthroughs in oil and petro-

chemical technology. IFP's search was supported by a dual tax on gasoline sales, the country's research effort really took off in the 1950s when IFP researchers, together with engineers at ELF-Erap, concentrated their efforts on the problems of offshore exploration and development.

The 1960s was a turning point for the French oil industry. For in 1959 the P government finally abandoned coal in favor of oil. Lacq natural gas was beginning to arrive in the French market, France was becoming increasingly competitive with cheap oil from the Middle East and there was the threat of a new oil crisis.

But the oil option meant France needed a strong national industry which could cover the range from exploration and production to refining and distribution. This is why President Charles de Gaulle decided to merge all the state-owned oil groups, except SNPA, into one giant state-owned company along the lines of ENI. Whereas until then there had been the only major I company on the domestic market with a guaranteed share of 25 per cent, internal companies now had to make for the new group ELF which now holds as much as 23 per cent of the market. Government targets were spelled out—55 per cent of market should eventually be by national companies, thirds of French crude should be transported by I tankers, French oil products should be produced in France or abroad, match national consumption.

It has been difficult, but for the government to be generous to the industry, first place it has been to raise prices for motorists. In the second, it is to appear too friendly to industry which is still being ed for the oil crisis. Under wing pressure the government has been forced to reduce some tax advantages enjoyed by oil companies and free the market for naphtha from some price controls.

Industry: Some Modifications Have Taken Place

(Continued from Page 9)

Chemicals

PARIS (IHT).—During the next few months the French government is expected to adopt a number of measures aimed at restructuring the pharmaceutical and fertilizer sectors. In the case of pharmaceuticals, aid is needed to establish industrial groups capable of competing with the international companies and carrying out their own research. With fertilizers, it is more a matter of reducing the number of companies and making them less vulnerable to cheap imports. Whatever measures are adopted, and they are unlikely to be very spectacular, they could represent some of the last rationalizations in the French chemical industry.

The French government first became concerned about the restructuring of the French chemical sector back in the 1960s. The lowering of the Common Market tariffs and the expiration of various patents placed several companies in difficulties at a time when huge investments were needed if France were to keep pace with technological change. At first, companies resorted to forming joint ventures, many of which remain to this

day, but sooner or later they were forced to create larger groupings.

With the restructuring of heavy chemicals completed, the government turned its attention to specialty chemicals where foreign concerns had already acquired important investments. By the early 1970s it was estimated that foreigners controlled a third of the pharmaceutical industry, the bulk of the detergent business, half of the French pesticide sales, 30 per cent of cosmetics and perfumes and 35 per cent of paints and adhesives. At a time when companies were reluctant to invest heavily and downstream products were more profitable, it made good sense for the French chemical companies to combine their own interests with that of the country.

Undoubtedly the most spectacular developments occurred in the pharmaceutical sector where several new groups have been created alongside the two leading companies in this field—Roussel-Uclaf, the subsidiary of Hoechst, and Rhône-Poulenc. The most important growth has been shown by the ELF-Aquitaine group which has emerged as France's third most important pharmaceutical group. ELF-Aquitaine's health division Sanofi has acquired La-

baz, Castaigne, Choisy, Institut Pasteur Production, Robillart and Vetrari. Also important are CM Industries, Synthelabo, controlled by perfume manufacturer L'Oréal with the backing of Nestlé, Pharmacia, the new pharmaceutical business of PUK, and Delalande. Until a few years ago the pharmaceutical sector was considered a very profitable one, but increasingly tough price controls by a government concerned over national health insurance costs have placed many of the smaller companies in difficulties. The main aid that the government can give is to treat the pharmaceutical sector as an industrial problem, not just a drain on the social security budget, and there are growing signs that this is what Prime Minister Raymond Barre plans to do.

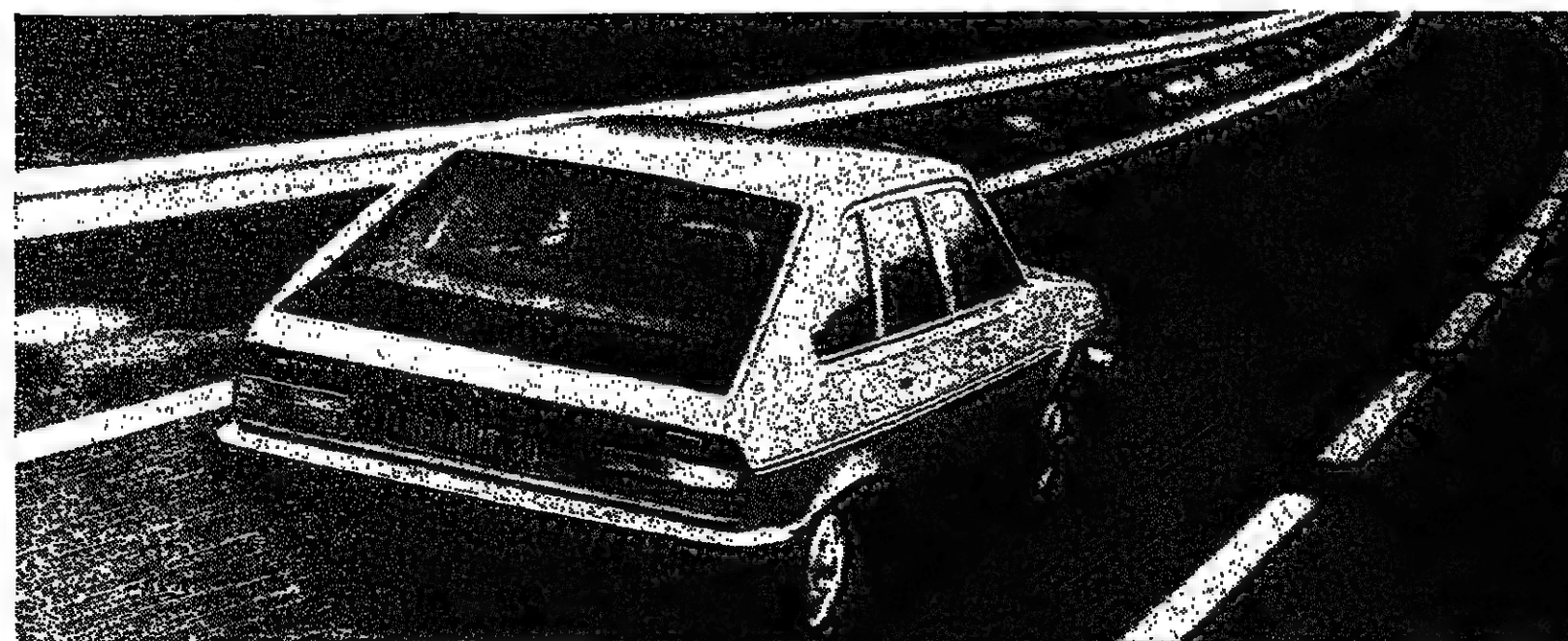
The fertilizer sector is characterized by the excessive number of companies competing in a very critical market. Already some restructuring has been achieved with the merger in 1971 grouping the fertilizer interests of Rhône-Poulenc and FUK to form La Générale des Engrais (GESA), but that still leaves five other groups—EMC, CDF Chimie, the private Gardiner group, La Grande Paroisse, in which Air Liquide holds a stake, and Cofaz,

the subsidiary of Pierrefrère-Auby and Compagnie Française de Raffinage.

The government would like these companies to merge to form two or three major groups but is having some difficulty getting the matches organized. For a start the government feels the state-owned group EMC and CDF Chimie should pool their fertilizer interests, but EMC recently signed a sales agreement with Gardiner and is not particularly enthusiastic about a tie-up with its state-owned rival. In the private sector GESA might be persuaded to team up with Cofaz and La Grande Paroisse, but Cofaz only recently reached an agreement with Agricor under which the U.S. company will acquire a stake in the concern, while La Grande Paroisse wants to remain independent. Whatever the government finally decides concerning EMC and CDF Chimie could have implications for the whole state chemical sector. For many civil servants would like to see ATO, CDF Chimie and EMC merged to form one state chemical giant to counterbalance the two leading private groups Rhône-Poulenc and FUK.

—M.P.

THE TWO OF US

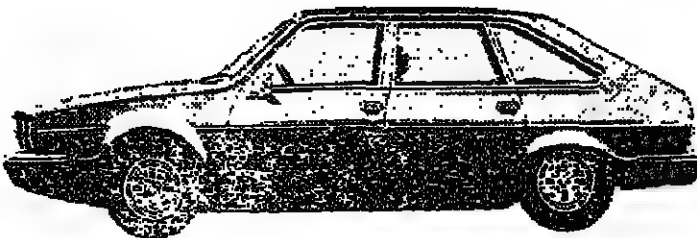


When a man spends a lot of time in his car, he needs a car that's on his side, and in the Renault 30 TS he's got a very reliable and sophisticated friend. It's got the kind of styling, comfort, performance and safety that a man can easily learn to live with... and love.

Refined power... refined roadholding. There's a big 2.7 litre 6 cylinder engine that delivers smooth, get-up-and-go power exactly when he needs it. With its dynamic acceleration, the Renault 30 TS doesn't wait around—it only takes 32 seconds to get from 0 to 100 kilometers per hour. The car's handling is equally impressive. Front-wheel drive and independent suspension give you precise, secure roadholding at all times.



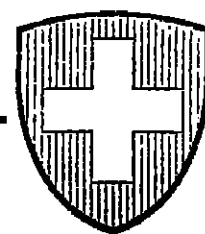
A man's car should feel like his castle. Since you and your car spend so much time together, you should be comfortable. That's why the Renault 30 TS incorporates so much practical interior comfort. Posture contoured seating is completely adjustable... there is even a fully reclining position. Instrumentation is more visible and more accessible. There's also more luggage space—a healthy 49.4 cu. ft. of it. Tinted windows, with the front ones electrically operated, begin to complete the comfortable picture. A special advanced safety cell passenger compartment is part of a safety system that keeps you confident under the most hazardous driving conditions. You and your Renault 30 TS. What a beautiful friendship.



RENAULT 30 TS, the uncommon 6 cylinder



هنا من الأول



Olivier Reverdin: Viewing His Country in Relation to Europe

HT).—Olivier Reverdin, a Liberal, with a Swiss political career, is firmly a supporter of a largely unitary economy. This, however, that he sticks to the point of his country or seek their solution of the pres-

e of two members enate representing Geneva, his political brought him to of the Assembly of f Europe, and an vement, nationally ally, in scientific affairs. He heads tional Foundation Research and, lks with industry, how such research failing to keep reast of rapidly dlogy.

Switzerland getting this relationship ing in?

d is severely limitations with its se Swiss neutrali- form of political nment. Some ack of solidarity, expression of pru- But since this is y and the Swiss is considerable, we sed of leaving a Europe defense- on an economic witzerland has al- heavily on trade and the rest of has probably the overall tariff lev- comes naturally and what is fear- the idea of being European prote-

Switzerland did it people expected nt with the Eu- do Community? trect, except from few of public fi- als agreement fur- government reve- ea. But the Swiss

an of land Switzerland term starts / January / Campus ke Geneva d AA programs s conferred thony, Europe- search, study at doorstep. ing, 40-nation ly, ations meet ICS



Olivier Reverdin

economy did not really suffer from the economic integration achieved by the European Community. Firstly because the speed of integration was much slower than anticipated, and secondly because agriculture was excluded from the agreement and Switzerland was able to protect its agriculture, a situation which is much more favorable than that of certain countries within the community.

The Swiss treaty with the European Community was approved by the electorate and keeps open the trade lines with neighboring countries which are both Switzerland's main markets and main suppliers.

Q—Would further progress towards political integration within the European Economic Community pose problems for Switzerland?

A—We would have difficulty in adapting to rapid progress in this area. Unfortunately, I doubt whether even elections for a European Parliament would change matters all that much and, having dramatic developments, it's likely to be a very drawn-out affair. Switzerland will, of course, follow what is going on very closely and would perhaps be prepared to make certain sacrifices. But one should not forget that no decisive steps can be taken without the express approval of the Swiss cantons and the electorate, so we're much less free in that respect than other countries.

Q—Don't you think other European countries are getting a little annoyed or, perhaps, disgruntled with Switzerland?

A—Historically we frequently set other peoples' teeth on edge. It is not always easy to accommodate us, mainly on account of our system of direct democracy. Switzerland is deliberately built on a basis which is different from other countries because of internal needs. This annoyance with Switzerland is further aggravated today because of the rate of the Swiss franc: Uncom-

fortable for the Swiss, it appears as insolence to outsiders. There is also the fact that Switzerland has become an important banking and money market and that the Swiss seem to be quite undisturbed by all this whereas others think we should feel guilty.

But these are really superficial reactions, and after all, who likes whom in Europe? Aren't the Germans fed up with the French, do the Italians find the French all that bearable, what do the English feel about all these Continentals? Switzerland perhaps complicates matters just a little more but we can't really be considered as trouble-makers.

Q—Would new leftist governments in France or Italy have an impact on Swiss politics? Perhaps concerning banking?

A—One has to distinguish between different categories. The sea-

A—This would put Switzerland into a delicate situation, particularly as far as financial transactions are concerned. We would have to adapt. As far as banking is concerned, it is perhaps unfortunate that we have a legal system based on the idea that the citizen does his duty, pays his taxes, doesn't use the banking facilities for tax-dodging. And this is true for the immense majority of Swiss. The position of the individual vis-à-vis the state is very different from that prevailing in other countries. All taxes in this country are levied, whether on federal, cantonal or communal level, with the express approval of the electorate. The citizen identifies with the state.

Look at the problems that we have with foreign workers. When we try to explain that it is quite legitimate for the state to expect them to pay taxes. For them the state is the enemy, the state always takes as much as it can, always spends much more than it should, there has always been dishonesty in the handling of public finances. They feel that they are legitimately on the defensive and cannot see why they should pay more taxes than the minimum they can get away with.

The fact that Swiss banking has become international means that others make fraudulent use of these services which are hardly exploited by the Swiss themselves.

Do we have to destroy the systems that suit us because others abuse them? It is difficult to give a positive reply.

Q—In Geneva recently the electorate refused to reduce taxes. A—Yes, a Socialist initiative which would have resulted in a significant reduction in taxes for 66.5 per cent of the population was refused by the electorate by a 53-per-cent majority.

Q—You talked about foreign workers. Doesn't it give the Swiss an uncomfortable feeling to see considerable numbers of these people going home now because of the economic recession? In fact they are being used as a sort of safety valve to prevent large-scale unemployment.

A—One has to distinguish between different categories. The sea-

sonal workers were employed largely in construction and were not settled in Switzerland. For these people it seems perfectly normal that if there's no more work we don't call them in. We might just as well say that we did them a service in the first place by offering them work. We still have half a million of these workers. Which other country can point to such a high proportion compared to its overall population?

The situation is much more delicate as far as those who settled in Switzerland are concerned. Many planned to become Swiss; and the fact that for many the lack of work has caused them to leave rather than accept the temporary unemployment benefits Switzerland provides is unfortunate. But really we can only reproach ourselves for having probably abused the fact that so many people always wanted to come to Switzerland, because the conditions of work and pay were better. We have a moral responsibility towards these people, but it is difficult to live up to this responsibility in the present economic situation. But it would be too simple to say we exploited them and are now rejecting them.

Q—The Swiss economy has always been marked by a high degree of specialization. And it is perhaps this feature more than any other which has enabled exports to continue at a relatively high level despite sharply increased prices for foreign purchasers. But how do you feel about the future? Isn't Swiss research losing steam?

A—It is obvious that the position of Swiss industry has deteriorated in terms of its cash ability to embark on large-scale research, assure the acquisition of patents and keep abreast of most recent technological developments. This is the result of two

things: the high rate of the Swiss franc and the development of increasingly onerous social security combined with higher taxes.

The financial base has been narrowed. The efforts have been concentrated on the maintenance of a high level of employment.

On the level of inventiveness and scientific research there is no point in encouraging Swiss research in universities or in industry if it is not absolutely on the level of the most advanced work being done elsewhere. The Swiss economy accords a great importance to research, and continues to do so. The chemical industry devotes between 5 and 10

per cent of its total turnover to research. But there are now serious problems. Take the case of Brown-Boveri, a company which has a subsidiary in Germany. Their industrial research is subsidized to the tune of 50 per cent by the authorities, while in Switzerland the authorities give nothing for this kind of research. Swiss industry is beginning to wonder why it has to go it alone. This being said, I should point out that the situation is still healthy and that to the best of my knowledge Switzerland is the only European country with a positive balance of payments concerning patents and licences.

INTER MARITIME BANK

IMB IS A SWISS BANK SPECIALIZED IN BANKING AND FINANCE FOR ALL BRANCHES OF THE MARITIME INDUSTRIES.

5, Quai du Mont-Blanc GENEVA/SWITZERLAND

Telephone: (022) 32 00 07 / 31 10 24.

Telex: 23389 MBANK CH.

Cables: MARBANK.

crédit commercial de france (suisse) S.A.



The CREDIT COMMERCIAL DE FRANCE (SUISSE) S.A. carries on a long tradition of banking. A member of the Crédit Commercial de France group which was created in 1894 by French and Swiss bankers, it continues to pursue the management philosophy which has made this group successful.

Here you will be received with the elegance and courtesy of the French, and will find the discretion, efficiency and competence for which Swiss banks are so well known.

- All banking and stock market operations.
- International credit and financing.
- International Portfolio Management.
- Setting up of private corporations and holding companies.
- Complete corporate finance services.

CREDIT COMMERCIAL DE FRANCE (SUISSE) S.A.

6-8 Place Longemalle

1211 GENEVE 3.

Tel.: 21.04.55. Telex: 28694.

Télégr.: FRANCIALGE.

'Para' Business Disappoints As Tourism Levels Drop Off

ZURICH (HT).—The Swiss hotel industry is virtually back to where it was ten years ago. Contrary to the sanguine expectations, the number of overnight stays in the traditional hotels and inns declined last year by some 3.9 per cent, reaching the lowest level since 1967.

In fact, the record over the last few years brings out quite clearly the combined ravages of the escalating Swiss franc and the downturn in economic activity in the client countries on a traditional Swiss service industry which still employs an average of some 64,000 people.

With nearly 37 million tourist-nights, 1973 marked the high point for the hotels. Since then the figure has dropped back to barely more than 32 million despite a more or less general freeze of Swiss franc prices and determined promotional efforts by the Swiss National Tourist Office, which has its headquarters here.

For a time it looked as if the so-called "para-hotel" business (rented chalets, holiday apartments, camp and caravan sites and other similar accommodation) was picking up the slack with tighter belts and less pocket money, the faithful tourists were still coming, and with a more flexible market in rented apartments they were making the best of the relative bargains on offer.

Looking Elsewhere

The "para" business showed a sharp upturn between 1973 and 1975, ensuring that the overall overnight-stay total for both Swiss and non-Swiss hovered between 66 and 68 million. Sadly, it now looks as though this mar-

ket, too, is barely holding its own.

For the first time last year the total dropped somewhat to around 34.5 million nights.

Significantly, the number of Swiss tourists enjoying the attractions of their own country also dropped last year—by 1.1 per cent overall. Attracted by the relatively cheaper offerings abroad and the rapid development of the air charter business, the Swiss themselves are looking elsewhere. And they are clearly following a trend set by others.

Meanwhile, overall occupancy of the estimated 920,000 beds available in all forms of accommodation has dropped to a mere 31 per cent, compared with 36 per cent in 1973.

It is hard to imagine a formula to reverse this general trend. The efforts of the tourist offices to encourage visitors to the more out-of-the-way regions do not seem to have met with signal success. More recently the emphasis has been on "active" vacations, with a variety of activities ranging from ballooning and hang-gliding to hand painting of pottery thrown into holiday packages. Basically, however, the Swiss are hoping that inflation in other countries will gradually compensate for the high level of the Swiss franc; that their own hotel and general tourism costs can be held down because of near-zero inflation here, and, above all, that economic recovery will bring back the freer spender. Undoubtedly, Switzerland will always be better able to cater to the higher end of the tourist market. There seems little point in trying to develop the cheap package-tour business that has been so successful in other countries.

TASIS Programs

INTER SESSION American School Switzerland 12 Co-ed boarding and at American academic College testing and outstanding faculty. Small size-related time. Sing, unified activities.

International

and American curriculum high speaking students (ASIS High School) proficiency in English fluency, music, concerts, travel.

TASIS ENGLISH LANGUAGE

Summer total immersion English course for beginning, intermediate, and advanced non-English speaking students. Sports, theatre, arts and excursions. Ages 12-18.

Location: office, TASIS, CH 6928 Montagnola-Lugano Tel. (022) 646471

Imede Management Development Institute

20 years of continuous service to the International Business Community

gram for Executive Development session: from August 7 to December 14, 1977

Executives engaged in industrial or commercial activities whose previous experience has been mainly of a specialized nature and who need a broad background of knowledge to realize their full potential for advancement to higher executive positions.

Open to experienced managers between 28 and 40 years of age. In the present class, more than two thirds of the participants have over ten years of experience and their average age is 36 years.

Applications, reservation requests and enquiries should be sent to: IEDE, HT Department, P.O. Box 1059, CH-1001 Lausanne (Switzerland) Telephone 021/267112, Telex 257871

A UNIQUE PRIVATE INVESTMENT, CATU CONTAINERS

Twelve years ago when an American maritime transport company began using large metal boxes to more efficiently handle their shipment of goods, they never realized that they would revolutionize international transport. However, due to the great efficiency of containerization, this method of shipping cargo has become overwhelmingly adopted by the industry in order to effectively meet the problems of soaring costs and risk due to loss and damage of goods.

Throughout the world large ports have developed the necessary infrastructure for the handling and transshipping of containers. There are now numerous ships solely to carry containers and their number is increasing. In the space of 12 years, the

world fleet of containers has reached 4,250,000 units of which approximately 3,500,000 belong to navigation companies that retain them for their own use. The balance of about 750,000 are made available to the shipping industry by leasing companies.

Of the top 7 leasing companies in the world who maintain their own international network of agents and depots, 5 are American, 1 is Japanese and 1 is Swiss: CATU Containers S.A., Geneva.

CATU S.A. is unique among the industry leaders in offering its containers to the private client (companies and individuals) at the price of \$3,200 per container. It imposes a higher quality construction for its containers than that required by the rigorous

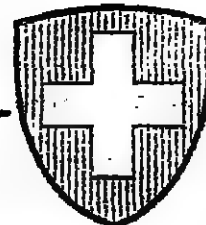
standards set by the International Standard Organization.

The annual return is approximately 15% net after deduction for maintenance and insurance, payable to the owner quarterly. The life of a container is estimated at 15 years and its residual value is estimated to be 20% of purchase price. The private investor who acquires a container becomes the owner of certified real property. CATU S.A. assumes responsibility for the leasing and management of the container for the owner-investor.

The rate of return on container leases held up throughout the recent world economic crises. Therefore the prospects of container ownership as a sound and attractive investment continue to be outstanding.

FOR COMPLETE INFORMATION WRITE TO CATU CONTAINERS S.A.

9 Rue Boissonas, 1227 Acacias, Geneva. Tel.: 022/43 26 00.



Jean Ziegler: 'I'm Fighting for a Democratic, Pacific Change'

GENEVA (HT) — The most controversial figure in Switzerland over the past year has been, without doubt, Jean Ziegler. Professor of sociology at Geneva University and militant left-wing intellectual, Prof. Ziegler has built up his public image largely on the basis of his proven ability to needle the federal government — a coalition in which his own Social Democrat party participates — from the benches of the lower house of the Swiss parliament.

But Prof. Ziegler was boosted to national prominence with the publication in France of a scathing attack on "Swiss imperialism" entitled "Switzerland Above Suspicion."

A partisan publication, lying somewhere between a revolutionary tract and a sociological thesis, Prof. Ziegler's book, however poorly documented, came as a furiously strong breath of fresh air in the hot-house of Swiss Establishment politics. Here was someone with the consummate gall to attack the system from the inside.

The book was an instant best-seller, was issued in a German version and will appear in English shortly. It has also inspired the recent publication of an anti-Ziegler book, entitled "Unsuspected Switzerland," in the form of an open letter.

Jean Ziegler outlines his controversial views in the following interview:

Q—Switzerland is frequently held up as the only direct and perhaps the best example of a working democracy in the Western world. You say it is a corrupt system. Why?

A—There is the visible government—the political institutions of great originality—the referendum, the popular initiative, etc. But while this looks admirable on paper it is in fact one of the most ambiguous systems in Europe. Switzerland has an invisible government which I call the oligarchy. You can identify it—some fifty people who are



Jean Ziegler

Daniel Villet

among the most powerful men in the world: the presidents of the Swiss Credit Bank, of the Union Bank of Switzerland, of the Swiss Bank Corporation, of Nestlé, the president of Sandoz, of Ciba-Geigy and some more.

This small oligarchy has tremendous power inside and outside Switzerland. Through their multinational empires they control vast parts of Asia, South America and Africa. The Swiss bankers are the second largest foreign investors in Brazil and in South Africa. Any dictatorship in the world—if only it is efficient and breaks the bargaining power of the local unions—can count on them. I give one example: In 1976, the very first international credit (\$300 million)

which was given to the horrendous dictatorship of Videla in Argentina was given by Swiss banks.

Switzerland is a very small country without any natural resources. Where do the bankers get their money from? Mostly from flight capital. From all over the world billions of dollars flow every year into the vaults of the Swiss banks. This is mostly stolen money: Mafia money, tax-evasion money, the money of the oligarchies of Brazil, Chile, Indonesia or Zaire—stolen from the people's money of corruption and so on. Every large Swiss bank has an elaborate money-smuggling operation. Once the money arrives in Switzerland it is protected by the

most elaborate secrecy. Banking secrecy and the numbered accounts are the holy institutions of Switzerland.

The stolen money is—as the FBI puts it—"laundered," and then reinvested through legal channels.

The foreign investments of Swiss banks are almost two times the total Swiss national product—255 billion Swiss francs. Only one-third of this is money produced in Switzerland—two-thirds is flight capital reinvested. These accounts are controlled by the Swiss banks through proxy powers.

Out of the thousand largest American corporations, 633 have holding companies for their foreign operations in Switzerland. Switzerland is the biggest monetary market in the world, the biggest reinsurance and gold markets. All these service functions which Swiss banks assume for the world capitalist system gives them a tremendous autonomous power. It is true that Switzerland dances to the tune of Washington. Politically the Swiss are always aligned to American power, but economically and financially speaking Swiss bankers are often in direct conflict with American financial interests.

Q—Can't parliament and the people control this power behind the throne?

A—Inside Switzerland the oligarchy works in a very intelligent but very wicked fashion. We have a Swiss parliament of two houses: a senate of 44 people and a directly elected popular assembly of 200 members. Nobody is paid in parliament—just \$60 a day when you are in Bern. But 62 per cent of all the parliamentarians in the last legislature were board members of the great industrial, financial and commercial empires where they earned an incredible amount of money. At Nestlé a board member earns nearly \$90,000 by attending four or five board meetings a year. Many of my colleagues in parliament sit on 10 or 20 different boards. The list is in-

credible. For instance Buhle, which is the biggest Swiss arms manufacturer, has men in every key committee in parliament. In Switzerland there is no law on incompatibility.

Q—So you are suggesting that both houses of parliament are merely "yes men" to this oligarchy ruling the country?

A—Many of them are. Not all. In my view what is dangerous is that there is no real opposition in Switzerland. The real government is therefore the oligarchy. The political institutions mask this reality, the press is mostly in the hands of this phantom but very real government, so there is no critical debate in Switzerland. In their view "positive" criticism is part of democracy, but "negative" criticism is a pathological phenomenon: that is to say all attacks on the structure of power. The colonization of parliament by the oligarchy is one thing. But even if you take the seven-man coalition government, most of them who quit government are immediately promoted to chairman of Nestlé, of the Banque Populaire Suisse, vice-chairman of Sandoz, etc. The head of the armed forces leaves the army to

become director general of Buhle, the arms factory, the next day.

Q—But you didn't really say whether the parliamentarians are merely "yes men" consciously going along with this government in the background.

A—That's a very dangerous question. It would be absurd to say the Swiss parliament is corrupt in the same way as that of a banana republic; you can't just walk into a senator's office and put a couple of thousand dollars on the table. It is much more sophisticated. It is the general feeling in the ruling class that the interests of the big banks and the interests of moral order and Christianity go hand in hand.

We are living in a Christiano-capitalist society. The bankers live modestly. They are immensely rich but have just one home and usually go to the office by tram. The society functions because the ordinary Swiss citizen has never seen the misery its banking policies create in the outside world. The children of Colombia are dying of hunger as a result of Swiss investment policies—the Union Bank of Switzerland is one of the very great

powers in Colombia—but the Swiss never see the victims. If these children came to die on Zurich's Bahnhofstrasse the system would fall apart. The people would not tolerate it any longer.

Q—You are a Socialist and the Swiss Socialist party is part of the government coalition, and is a powerful party. Are you implying that the Socialist party is as much involved as the bourgeois parties in a corrupt system?

A—No! However, the Socialists—a Social Democratic party—are mostly integrated into the system. This is very unfortunate. It renounced the strike as a weapon in labor conflicts. There are two Socialists in the seven-man government. The majority of the Socialists vote for all the military credits. The Socialist party in Switzerland is one of the most powerful in Europe. But it is in a dead sleep. Something must change: The Socialists are preparing a constitutional referendum aimed at the expropriation of the three biggest banks to transform them into companies of mixed ownership.

Q—You preface your book with a comment of Lenin to the effect that the proletarian revolution would start in Switzerland.

A—Lenin was convinced in 1917. He said Switzerland the most advanced capitalist country so that the objective conditions for capitalism were also clearly in evidence. peculiar to Switzerland: "hedghog" mentality. I live on the defensive and shouldn't exist.

Switzerland would like the moon. It is not. I bankers are travelling: unshakable in their God, fighting the bad after honest people's me there are young people up, and Switzerland is a capitalist system which crisis. The Swiss are a people with a very rich tradition. Without their they could be a great, exemplary nation in the world.

Q—Do you believe in Switzerland?

A—I'm fighting for a democratic, pacific change, country because the bankers of this country kill in Bangladesh, in Chile, and Guatemala every causality is destroyed. At the end of this century that revolution will Switzerland.

World Changes Menace Geneva as UN 'Hon

(Continued from Page 1.)

government in Bern is trying hard to promote as an essential adjunct to the concept of active neutrality. Within a relatively short period the international image of Switzerland has taken a distinct turn for the worse. None other than Mr. Graber pointed out recently that things were getting increasingly uncomfortable with the country running the risk of universal opprobrium. Why?

To begin with, last year Swiss voters in a rather irrational fit of pique turned down a SF 200 million loan to the International Development Association. Other

industrialized countries refused to pick up the Swiss tab, and the developing countries quite naturally read the signal as confirmation of their growing belief that there was more commercial self-interest than altruism in Swiss foreign policy.

Internally a much-publicized court case on the ethics of Nestlé's sales campaigns combined with heavy sales of the controversial book by Jean Ziegler attacking "Swiss imperialism" caused more open discussion on the real role of Swiss commercial interests abroad than ever before.

Many Swiss who years before had greeted large numbers of Czech refugees with open arms

were shocked by the government's parsimonious attitude towards Chilean refugees in equally distressing circumstances.

Changing Times

All told, it seems that times have changed: with increasing uncertainty about the economic future, a marked polarization in Swiss political affairs and a general trend towards introspection, it has become more difficult for the federal government to maintain a positive, outward-looking foreign policy. And the presence of international organizations in Geneva both depends on such a policy and gives it "body." As

Professor Jacques Frey, Geneva's Graduate Institute International Studies, presence "gives Swiss 'political profile' and what has long been a sterile trait of Swiss policy: its readiness to pass in world affairs profit does not breach the of neutrality. In the many, Swiss neutrality justifiable if it supports live policy expressed in services within the international community."

From a prosaically Sw view, that is what science" and the Human Conferences are all about.

Georg Fischer ensures water supplies in the Arabian desert - for without water there is no life



A desert country like Saudi Arabia needs water. Progress depends on water. Without water systems Arabian farmers and their livestock have to wander from one oasis to the next in order to survive at all. This country, whose vast oil reserves make it one of the richest in the world, can develop and expand its modern civilization only if urgently needed water is available at the right time and in the right place.

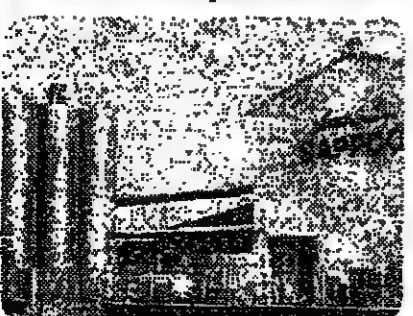
Pipeline systems are the vital link. To satisfy the enormous water requirements of a desert country like Saudi Arabia efficient, reliable water supplies are essential. Hundreds of new apartments in fast-growing towns have to be connected to adequate services. A young rural economy needs irrigation systems to transform desert regions into fertile, arable land. But a backlog of demand of this



magnitude poses problems—problems which are solved with +GF+ technology. Following intensive

research +GF+ has succeeded in developing products which are particularly resistant to the aggressive properties of salt and water in these regions. As a leading manufacturer of pipe connections and fittings in both cast metal and plastics in Europe, +GF+ is the right partner in the Middle East. More and more Arab companies are realizing this.

One such company is the Saudi Arabian Plastic Products Company, a local manufacturer of plastic tubings. In partnership with +GF+ this company has founded in Riyadh a joint subsidiary, APLACO, which will manufacture in Saudi Arabia certain items of the +GF+ range under the technical and commercial guidance of the Schaffhausen group. +GF+ has analyzed the market and carried out requirement forecasts for its partner and will also be responsible for build-



ing and equipping the manufacturing facilities and for the education and training of personnel. APLACO is an example of true partnership—the kind of joint venture which +GF+ is seeking all over the world.

European business principles in the Middle East. Product and service—that is the maxim which has made +GF+ successful in the European market. Now it is also to apply in the Middle East. Apart from top-quality products +GF+ offers technical advisory services and training facilities for skilled



personnel. Training programmes in Arabic, with textbooks, slides and illustrative material, provide valuable instruction in trade schools and courses. +GF+ is thus carrying out real technical ground-work—not only water for the desert but also knowledge for the future of an aspiring nation.



+GF+
Georg Fischer Aktiengesellschaft
Schaffhausen

Bank Hapoalim (Switzerland) Ltd.

A good address in Zurich's Bahnhofstrasse.

Not for nothing is Zurich one of the most interesting places in the world for financial business.

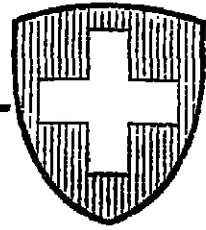
So it stands to reason that we too are in Zurich's famous Bahnhofstrasse. We are a subsidiary of Bank Hapoalim B.M., Tel-Aviv, Israel, a leading bank in

Israel with total assets of \$7,177,605,000, over 270 branches of the group in Israel as well as branches, subsidiaries, affiliates or representative offices in London, New York, Los Angeles, Miami, Cayman Islands, Toronto, Montreal, Buenos Aires, Sao Paulo, Caracas and Johannesburg.



Bank Hapoalim (Switzerland) Ltd.

Zurich, Bahnhofstrasse 20
Telephone 01/27 74 00 (as from June 8th, 1977: 01/211 74 00)
Telex 52 762



The President of the Confederation Talks of the New Constitution

One of the less important aspects of the work in Bern is drafting for the new Swiss Constitution.

Constitution, after significantly years, has served more than a beginning to look dog-eared. More have been made and it is getting difficult even for their way around. The following of the revision is a average citizen, to ensure that a fully adapted and predictable he country. Christian Democracy in a member of in late 1971. Department of

Swiss parliament preparatory revision of the constitution. How far progressed? establish where where one is could be improved and what value, where change of direction to the future and unchanged to be re-

id this gives a of citizens, officials the state directly in tutional found- to shape the. On the other lts, since new be explored for only the future r there is still apparently dead federal Council institution of a working com-

mittee chaired by a former federal councillor, F.H. Wahlen—to collect opinions and suggestions for a future federal constitution and to prepare a model for a new constitution.

It concluded its work with the publication of an 800-page final report and in May, 1974 a 40-member commission of experts, under my chairmanship, began work on the basis of the extensive material of the "Wahlen Commission." The experts have until the end of the year to present the government with a detailed project for a new constitution.

Next year, when it has examined the commission's proposals, the government will have to decide on the next procedural stage. Presumably a decision will be taken to continue the work of revision.

Q—Assuming the three fundamental principles of democracy, individual liberties and federalism are respected, what major changes do you envisage under a new constitution?

A—There is no doubt that the Confederation will continue to develop along a path of broad democratic participation, with protection for extensive individual freedom and according to federalist principles. In other respects the Swiss Confederation is in the process of developing into an advanced social state.

A total revision of the Constitution will not bring major changes in the structure of the state. It would, however, be wrong to say that discussion should only cover mere retouching of the substance or textual and layout improvements, in other words mere "constitutional cosmetics." The principal objective should be, rather, to mould the basis of constitutional law in such a way that the confederal community can meet exacting requirements in a period of rapid change both now and in the future.

The major objectives can therefore be summarized as follows:

• Switzerland's economic situation and the financial problems which Confederation, cantons and communal authorities have to face today, force us to reconsider

the basic question of who in our society is responsible for what. This applies to the relationship between citizen and state. A new constitution must decide which duties the state should cease to fulfill in the future, which tasks it should continue to carry out and which new responsibilities it should take on.

• The problem of the division of powers also arises in the relationship between the Confederation and the cantons. Today's Swiss federal structure is complex, characterized by the fact that the separation of powers between Confederation and cantons has become difficult to grasp. It is fair to speak of a crisis in the coordination and performance of state responsibilities. If it proves possible to restore order in the relationship between the Confederation and the cantons, and while guaranteeing the cantons' necessary political independence, to re-establish a rational separation of powers between them, then a principal item of the reform under discussion will have been accomplished.

• Another crucial point is the consolidation and extension of individual liberties. This must be seen in conjunction with the need to widen our constitutional jurisdiction—not very developed by comparison with foreign models—and thus strengthen the legal protection of the citizen.

• Developments in recent years have shown clearly that the arrangements governing citizens' democratic rights require thorough revision. These rights should be simplified as much as possible at federal level, although without restricting participation.

• Another aim is to rationalize the structure of our authorities and the process of political decision-making. This is primarily a matter of cooperation between parliament and government as well as the rationalization and redefinition of their respective duties.

• The revision of the social and economic order, and of property rights, was the objective of exhaustive discussions. The commission of experts for the most part favor an economy providing room for development, ensuring that the state could, in case of need, take objectively correct economic measures without loss of time.

Q—The 1874 Constitution has in fact undergone more than 80 modifications in the course of the last century. Is it really necessary to make a complete change now?

A—Since 1874 it has always been possible to modify our basic law to conform to developments, even if there have sometimes been delays, major political difficulties and great expense. Meanwhile, revised and transient solutions stand together, loosely and without any rigid classification, along with general principles and trend-setting rules.

The general principles and major concepts often lie hidden beneath trivial matters and items that are unimportant in themselves. Total revision of the Constitution is desirable if only because it provides the opportunity to bring out the fundamental, long-standing principles of our body politics as basic guidelines for both citizens and authorities.

Besides, if in the long term we wish to keep our state democratically viable, then we must reconsider the system of popular democracy as a whole and take a serious look at more radical reforms.

Q—Switzerland was one of the last countries in the world to grant female suffrage, but the only country where this was achieved on the basis of a popular vote. But Swiss women in many respects are still not equal to men in the eyes of the law. Will the new constitution finally get rid of this discrimination?

A—Equal rights for the sexes is not yet a reality in every sphere of the Swiss legal system. However, careful study leads to the conclusion that our country is not by any means at a disadvantage compared to influential European states. The emancipation of women has made substan-



Kurt Furgler, President of the Confederation.

tial progress in recent years in many areas. The question of equal rights is particularly important in connection with the current revision of family law. The new chil-

dren's law will come into operation in January, 1978, the draft proposal for the general law on marriage and the property of married couples has already reached the consultation stage.

and preliminary work on a revision of the matrimonial and divorce laws is going ahead.

The commission's provisional draft incorporates an explicit guarantee of equal rights for men and women. Generally, the legislature should provide equal treatment for men and women, especially as far as family matters, education and work are concerned. A final principle is that men and women should have the right to the same pay for the same work. This will involve creating an extensive body of constitutional law for the practical realization of equal rights, where these did not already exist through contemporary interpretation of the existing basic law.

Q—Do you think a new constitution will spell any fundamental changes in Switzerland's position towards her European neighbors and the rest of the world?

A—A new federal constitution would bring no fundamental changes in the relationship between Switzerland and its European neighbors or the rest of the world. Drastic about-turns in foreign policy are not part of Swiss tradition or conviction. The constitution must be designed to leave space for development, assure parliament and the government sufficient room for maneuver and secure appropriate democratic participation for the people.

A new constitution must recognize that a small state such as Switzerland is part of an intricate web of international relationships, that its individuality and independence are not dependent on its own decisions alone and that it is bound to participate in the shaping of the

international community within the limited means at its disposal. The obligation to work together for world peace will be mentioned in the preamble as a general principle. The constitution must incorporate a guarantee for the country's independence while expressing acceptance of a just and peaceful international order in a spirit of solidarity.

However, the commission is against formulating specific targets for the conduct of external affairs on the grounds that changing conditions can necessitate modifications in the guidelines of foreign policy. This applies to the principle of neutrality as well, even though it is the basis of our foreign policy, receiving the widest possible support, and will need to be maintained in the future.

The Swiss electorate (people and cantons) have recently approved a moderate extension of the so-called international treaty referendum. The Constitution enables the sovereign (the people) to express their views on the most important foreign policy issues—membership in supra-national organizations for example. Naturally, the question of possible Swiss membership in the European Economic Community or the UN would require the approval of the electorate. However, it cannot now be stated positively when the right time for this will be.

Q—What happens if a new constitution is again rejected by the Swiss voters?

A—As yet there has been no extensive public discussion on total revision of the federal

Constitution; only the parties and central organizations were given the opportunity to state their position recently at hearings. The commission of experts will try to submit a draft which seems politically acceptable. Generally, the results of the consultation procedure mentioned earlier will show the government which innovations are politically awkward, which suggested solutions could endanger the draft. The government will not decide to submit a draft project for the total revision of the Constitution to parliament—or possibly a constitutional council—before it can provide politically effective solutions and has a real chance at the polls.

It should be remembered that the political climate can change within a few years. The situation of the Swiss state today presents us with real problems, and this forces us to attempt to identify which problems are critical for our society. At the same time, we are presented with a real opportunity to initiate and carry through reforms.

Even if the "Project Total Revision" were to miscarry, either in a referendum or at an earlier stage, the preparatory work will not have been in vain. The relevant stock-taking and the laboriously formulated reform proposals will remain relevant for the renewal of our national structure and the promotion and further development of our constitutional law.

I am convinced that our community is in a position to realize such reforms as may be necessary while respecting traditions and lasting values.

in Throes of Change

on Page 1.)

ange of lobbies, its decision-making responds man need for obvious bias in l and conserva- with this an nation against sialized and areas. Decided side vote require b the majority affirmative vote of cantons and the canon of over a million tes the same ion of Uri, with people. The n swings heavily- parliament as ouse, the Comm- equal rights ouse, the Ma- But the upper l members, two n, again bre- e of the popu- it is that the which as the e more than a 0 seats in the e only five in alsa.

ment

ederal, context d initiative al- to propose mendment and talkwide vote chice produced results. There en or so in the come that only proved in the ried. One rea- score which the pointing out is nent can quite a whole process own alternative feels that there me amendment ind uncomfort-

able to live with might be approved, it can put in its own watered-down version and thus disperse the vote since the citizen can only vote "yes" to one or the other of the alternatives. But the initiative does serve the useful role of bringing issues to the political forefront. The coming votes on abortion and conscientious objection have both emerged in this way.

Of course, federal affairs are not necessarily the most important in terms of their impact on the daily lives of the citizens, particularly since most taxation is handled on a cantonal and communal basis. Direct or semi-direct democracy implies a more intense participation at these levels. But the degree of apathy on the one hand and the sometimes deliberate mystification on the other ensure that the average citizen who does not have too much time to study the issues gets the thin end of the stick. How much agricultural land in Switzerland has been reclassified in this way for the greater enrichment of a number of farmers and real estate speculators?

The more acute realization of these kinds of shortcomings is healthy for ultimately the Swiss have the means to correct them. With it has come a greater understanding of and sympathy for the political drop-outs—not those who simply neglect to vote but those who have decided not to. Many students and young people have opted out of participatory roles in the present system although they are highly politically motivated. They vote with their feet by on-site demonstrations against nuclear power stations, the destruction of trees and the annexation of green spaces for further construction. But their preoccupations go well beyond ecological concerns. They have, in fact, established a form of extramural opposition which should not be ignored for too long.

IF YOU THINK IN TERMS OF
PERSONAL INVESTMENTS:

SOCIETE BANCAIRE BARCLAYS (SUISSE) S.A.
an old established private Geneva bank.

IF YOU THINK IN TERMS OF
INTERNATIONAL BUSINESS:

SOCIETE BANCAIRE BARCLAYS (SUISSE) S.A.
a member of the Barclays Group of Banks
with 5000 offices in over 70 countries.



SOCIETE BANCAIRE BARCLAYS (SUISSE) S.A.
6 place de la Synagogue
CH-1204 Genève
tél: (022) 20.13.33



SODITIC S.A.

short and medium-term euro-currency loans
export finance without recourse
medium-term private placements

3 BIS, PLACE DE LA FUSTERIE
P.O. BOX 471 1211 GENEVA 3/SWITZERLAND
TELEPHONE: (022) 28 9511 - TELEX: 23 593 SODT

SHAREHOLDERS

BANCA COMMERCIALE ITALIANA HOLDINGS S.A. LUXEMBOURG
BANQUE DE PARIS ET DES PAYS-BAS (SUISSE) S.A. GENEVA



Swiss real estate investment fund GENEVA

Fund launched: 28th October 1958.

Management:

SOFID S.A.
13 Rue du Rhône
Geneva.

Supervisory

body:

S.A. Fiduciaire
Suisse, Geneva

Places of payment:

Banque Hypothécaire du Canton
de Genève (deposit bank), Geneva.
Crédit Foncier Vaudois, Lausanne.
Banque de l'Etat de Fribourg,
Fribourg.
Banque Cantonale du Valais, Sion.
Banque Populaire Suisse, Geneva.
Union de Banques Suisses, Geneva.
Darier & Cie, bankers, Geneva.
Bordier & Cie, bankers, Geneva.

Portfolio: 30 buildings in Geneva City.

Trend of share issue price:

Dec. 1967	— S.Fr. 1,101.50
1968	— S.Fr. 1,056.70
1969	— S.Fr. 1,272.50
1970	— S.Fr. 1,334.
1971	— S.Fr. 1,285.
1972	— S.Fr. 1,415.50
1973	— S.Fr. 1,438.
1974	— S.Fr. 1,488.50
1975	— S.Fr. 1,546.50
1976	— S.Fr. 1,552.50

Gross dividend for the year 1975/76: S.Fr. 70.- (S.Fr. 20.- of this
exempt from withholding tax).

Purchase of shares by non-resident people authorized.



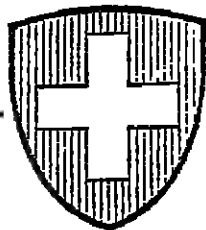
SOFID S.A., 13 Rue du Rhône,
CH-1204 Geneva.

I am interested in the annual report of PARFON and would
ask you to send me a copy, without charge or obligation, to
the following address:

Mr., Mrs. or Miss

Street:

Town:



Two Giant Multinationals—One for Home, One for Abroad

Ciba-Geigy

BASEL (CHT).—With group sales totaling SF 9.5 billion in 1976, the Ciba-Geigy chemical group is the second largest enterprise in Switzerland after Nestlé. Created by the merger in 1970 of two Basel-based concerns, the group employs some 74,400 people worldwide, including 20,700 in Switzerland. About 98 per cent of its products are sold outside Switzerland, and the greater part is produced by the group's companies abroad. Essentially the manufacture of the active chemical ingredients is concentrated in the Swiss facilities of Ciba-Geigy, while the compounding of these to form finished products is decentralized, permitting adaptation to specific customer preferences and legal requirements in various countries.

The formula has worked extremely well, but has not spared the company from the impact of the latest worldwide recession. In previous downturns it was possible to offset poor results in some countries by improved results in others. This time the high rate of the Swiss franc and the generalized slowdown in business, particularly in the Northern Hemisphere, marked by falling sales and higher wages and welfare costs, have had a negative impact on company results for the first time in twenty years.

The black year was undoubtedly 1975 when output and turnover for the Swiss chemical industry as a whole declined by some 18 per cent, bringing production volume almost back to 1972 levels.

Mediocre

The first six months of last year saw a welcome revival. Government production indices showed an increase in output in the first and second quarters of 16 and 19 per cent over the same period in 1975, with the dyestuffs and plastics sectors in particular turning in a good performance. But if Ciba-Geigy's directors were again able to breathe easier, the respite was of short duration—the revival levelled off appreciably during the second half, and the year as a whole was, at best, mediocre.

Group sales were up 5 per cent

over 1975, with plastics and additives and dyestuffs and chemicals leading the field, admittedly from a particularly weak base. The pharmaceuticals division remained in line with the general trend, while agrochemicals, which gained 7 per cent in the previous year, when calculated in Swiss franc terms, went into a 5-per cent decline. This was the result of lack of foreign exchange in many export market countries and the extreme weather conditions prevailing during the year. And while group sales, in the entirety, are marginally above the 1974 level, group profits have not yet reached the level attained in that year nor, as the board of directors ominously points out, the level "required by the business in the long term."

Ciba developed from a small silk dyeing business soon after the first coal-tar dye was discovered in 1856. The name, an acronym for the Society of Chemical Industry in Basel under which it was registered as a limited liability company in 1884, became so well known that it was adopted as the official company name after the Second World War.

Range

By that time the company had enlarged its range of products, branching significantly into the pharmaceutical field well before the end of the 19th century, and introducing textile auxiliaries, cosmetics and plastics after the First World War, to be followed by epoxy resins in the 1940s, and pest control, animal health and hygiene products in the 1950s. Dyestuffs experience also led into the field of photochemicals with accompanying activity in the area of electronics technology.

Geigy, the oldest of the Basel chemical concerns, began in 1859 as a family chemist and druggist business which, in time with the flourishing textile industry, soon branched out into dyes, and moved into manufacturing in the 1830s. The company went public in 1901 and achieved a worldwide reputation for the development of insecticides during the Second World War. A selective range of herbicides, developed in the Geigy laboratories and introduced in 1954, added a further range of products.

The lack of natural resources in Switzerland pushed the two companies into specialization in original high-quality chemicals. A strong accent was put on research and development, in which some \$290 million were invested in 1976, representing about 8 per cent of total group sales. Significantly, in view of the pattern of sales and the large number of group companies abroad, some 60 per cent of expenditure for research and development goes for activities in Switzerland. But along with the other two major Basel chemical concerns, Roche and Sandoz, Ciba-Geigy is questioning the extent to which it can afford to stay Swiss-based.

Move Abroad?

The trend within the chemical industry worldwide to set up production facilities near or in potential markets, the high Swiss franc rate and the sheer cost of manufacture in Switzerland where the average wage for Ciba-Geigy's employees is pushing \$20,000 a year, plus the fact that for ecological and other reasons it is becoming increasingly difficult to find suitable sites for new plant—all seem to spell the sagacity of a move abroad. Indeed, less than 40 per cent of Ciba-Geigy's current capital investments are now spent on the parent firm and its Swiss-based branch firms. The tendency to expand capacity abroad is already there, and could be accentuated in the future.

The impact of the Swiss franc revaluation—almost 60 per cent towards the end of last year on a trade-weighted basis as compared to pre-Smithsonian levels—has meant, according to Louis von Planta, the managing director, that Ciba-Geigy's domestic operations are too costly. Efforts have been made to cut costs, streamline the organization and increase productivity. But even so the operation is being pulled increasingly out of Switzerland. Research and development appears to be more attractive, financially, in other countries, and one wonders whether in the final, long-term outcome, this Swiss-based multinational may not join the hordes of other foreign multinationals with holding companies here, but precious little else.

Nestlé

VEVEY (CHT).—"Undoubtedly the most multinational of the multinationals," according to its chairman, Nestlé, with 300 factories and more than 700 sales branches and depots spread all over the world, is also the largest Swiss company by far.

Its international operations have made the Vevey-based company particularly sensitive to growing criticism of transnational companies and the role they play in the national economies of poorer countries.

Nestlé has made numerous and costly efforts to illustrate that, as far as it is concerned, this role is a positive one. The preoccupation is underscored repeatedly in recent annual reports. Nestlé's highly successful efforts to maintain its "international position" is counterbalanced by the help it brings in the solution of the "world's malnutrition problems." Or, again, conscious of the confidence of consumers, the company feels called upon "to cooperate with governments requesting assistance and to make its contribution to the solution of the basic problem of human nutrition."

It cannot be denied that such a contribution is being made, albeit within the context of a highly commercial orientation. But by far and away the most dynamic sector of this food industry giant is that of instant and liquid drinks, with soluble coffee well in the lead. This sector now accounts for almost one-third of the total Nestlé turnover, or more than SF 6 billion worth of business. And since the highly developed countries of Europe and North America are the main markets, with 47 and 38 per cent respectively of sales, it is hardly surprising that soups, bouillons, seasonings and prepared dishes also figure high on the performance list.

Infant foods and dietetic products, which were the basics of the company founded by Henri Nestlé in 1866, are much less significant in terms of sales, holding only 7.4 per cent of the market. And at times during the last two years, some company officials may have felt that they could have done better without the baby-food business altogether—although not for commercial reasons.

Coming on top of the attacks on the size of Nestlé, the company was accused by a Swiss action group of killing babies essentially through excessive and unethical advertising for its baby-food products in developing countries. Whatever the merits of the case (and the Swiss court's findings constituted something of a standoff), it generated a great deal of negative publicity.

Fortunately for the shareholders, neither this nor the staggering increases in the prices of raw materials (mainly green coffee and cocoa) nor the continued appreciation of the Swiss franc against other currencies have soured the balance sheet.

The consolidated trading profit in 1974 remained the same as for the previous year, and the net profit took a small bump. But apart from that the company has gone from strength to strength. Turnover, at more than SF19 billion last year, has increased two and a half times in the last decade. Net profits, SF872 million for 1976, up by 9.1 per cent over 1975, have risen in nine out of the last ten years and have never fallen below 4.2 per cent of total turnover.

But even these positive figures do not fully represent the strength of the company. The latest annual report notes that the improvement in the 1976 turnover compared with the previous year would have been 16 per cent instead of the 4.2 per cent recorded, had it not been necessary, as a result of the high level of the Swiss franc, to convert the turnover expressed in the various local currencies at rates less favorable than in the previous year for the great majority of countries. The management concedes that the evolution of sales "can certainly be considered satisfactory."

At the same time the restrictive policy on capital expenditures on land, buildings, plant and machinery adopted in 1973 was continued. But not at the expense of productivity or future expansion. Research has also been maintained at a high level with efforts especially directed towards soy seeds—which could "play a far greater part in feeding mankind in future."

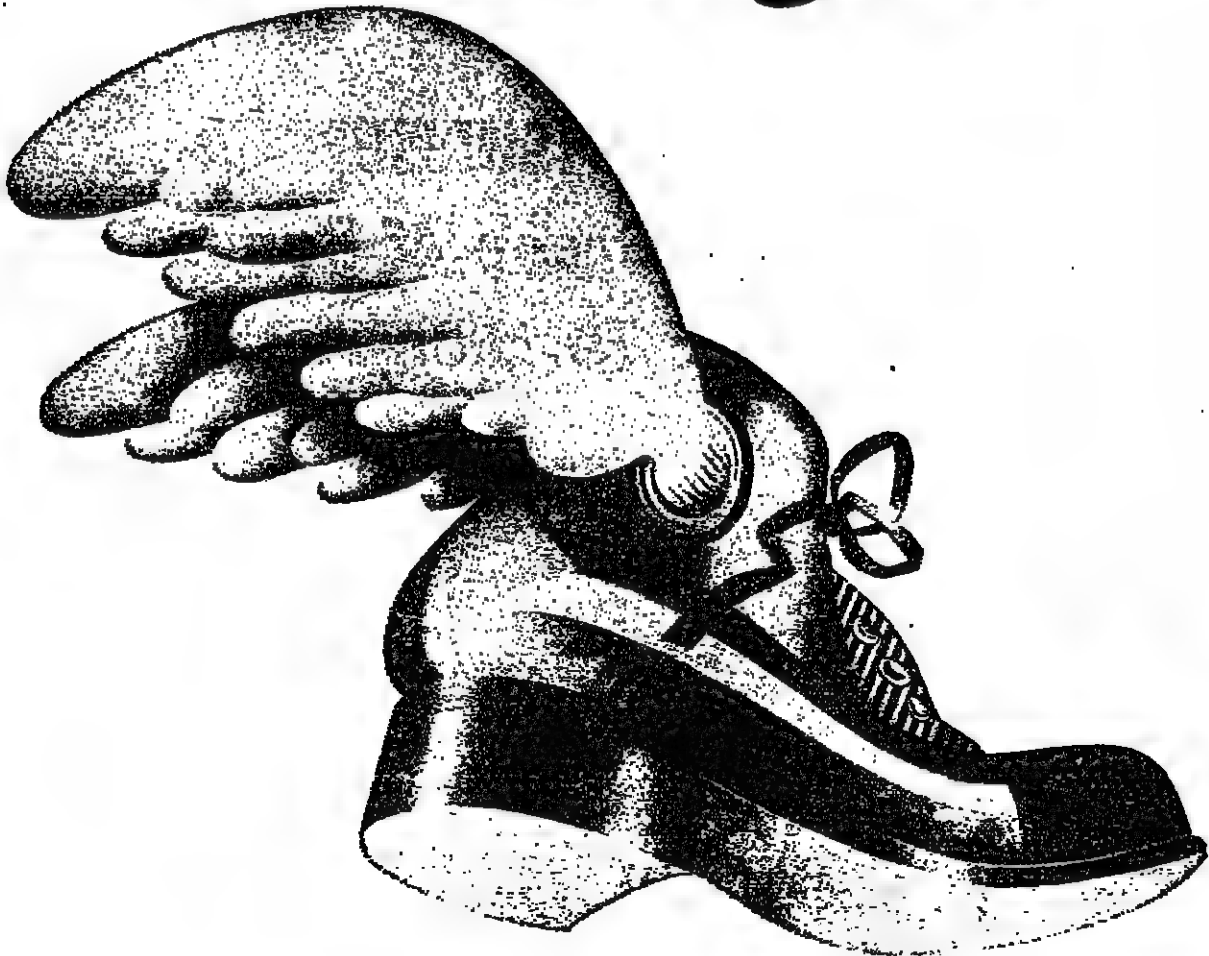
Besides the product mentioned, Nestlé has extensive sales in milk, yoghurt, chocolate, confectionery, and from and ice cream. It Peter-Callier-Kobler choc 1929, Maggi soups in 1947, in 1962, Libby McNeill & in 1970 and the Stouffer's in 1973—and these the highlights of an accelerated acquisition in 1974 Nestlé branches food for the first time, takeover of the Pa cosmetics and essences L'Oréal. Besides, it has holdings in myriads of a ranging from Vitell waters to the Saudi Arab Establishment which, in 1980, at providing a comp every day for 800,000 Arabian schoolchildren.

The company is proud very international flavor it feels, not unnatural keeping with tradition. Nestlé's creation of milk only one side of the this industrial giant same year, 1866, Charlie described in the office biography as an America and one-time war corre for the New York Tribune a limited company is under the title Anglo-Sv dense Milk Company.

The Anglo part was the British, whom he at would be his best fact the original plan fell through, were to dense milk manufact Switzerland under the brand, paying a small r the American company's pioneered canned milk ten years earlier.

The successful operati grew out of this eniary a production plant on of Zug, became a bi: merical rival of Henri Vervey—a rivalry which up to 1903 when the panies finally merged, from today, the great merical achievement of was undoubtedly the de of instant coffee short the Second World War must be few people inde industrialized world w know that particular bra

Only Lame Ducks Duck Progress



We build automatic copiers and duplicators. We're not the only ones, but not every copier has the advantages of a Rank Xerox one—clear, easy to mark, on normal or coloured paper, barely detectable as a copy.

Not every copier can scale down the size so as to group related items; or produce double-sided copies automatically; or collate automatically and thus release personnel for more important tasks.

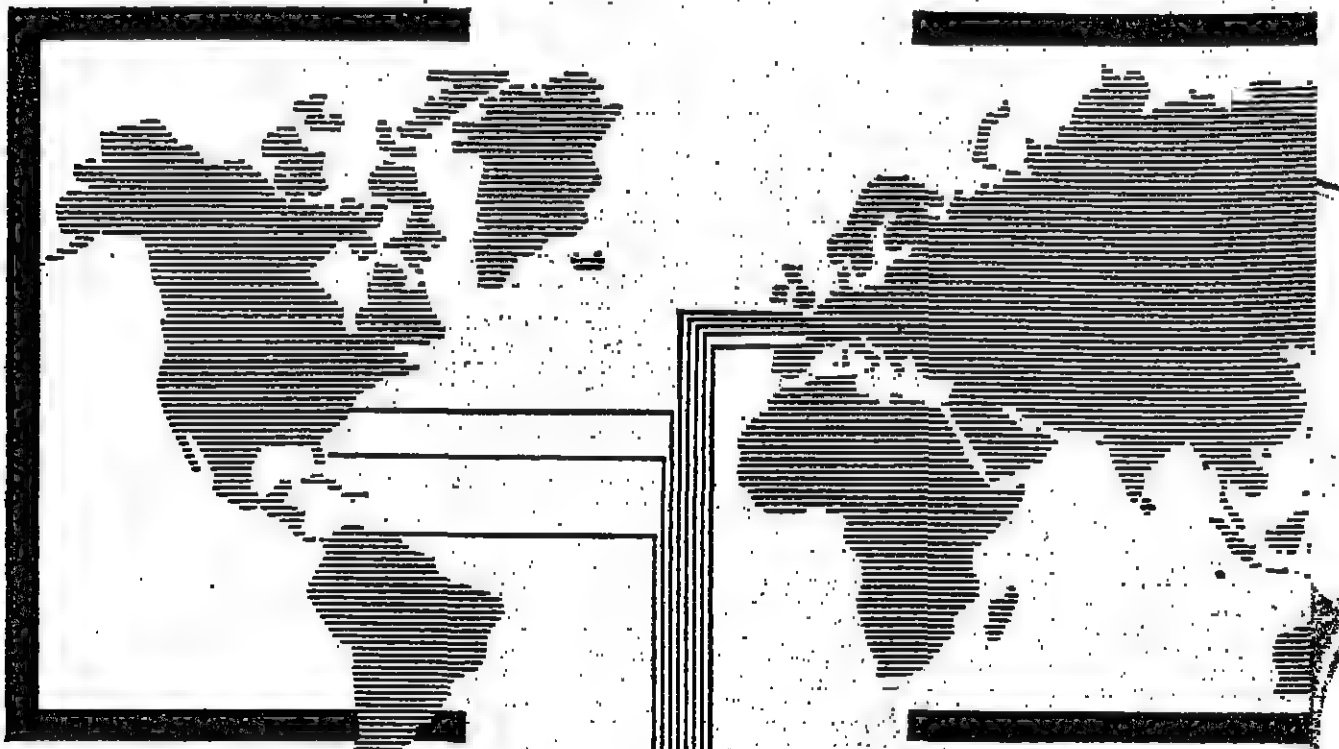
Nobody else has an addresser that can be mounted on the equipment, enabling you to produce one letter per second and simultaneously to address each letter to a different person.

Nobody else has an indexer that takes forms and quickly, simply, cleanly and inexpensively produces other forms from them for use in job progressing, computing and bookkeeping.

And who else takes the trouble, day after day, to find ways to solve your administrative problems? Rank Xerox have made it their business to keep one foot in the future. Mere copying can be copied if need be, but true progress calls for more than that. Maybe one of our people should talk to one of your people about all this.

RANK XEROX

we are one of the oldest swiss banks
operating with a full range of banking services
all over the world



AFFILIATES ABROAD:

Compagnie Monégasque de Banque,
Monaco, Principality of Monaco.
Société Européenne de Banque,
Luxembourg.
Swiss Italian Banking Corp. Ltd.,
Nassau, Bahamas.
Swiss Italian (Guernsey) Ltd.,
Guernsey, Channel Islands.
Swiss Italian Securities Corp.,
New York, U.S.A.

HEAD OFFICE

LUGANO, SWITZERLAND
18 branches in Switzerland
Including ST. MORITZ and ZURICH

REPRESENTATIVE OFFICE

Caracas, Venezuela
Paris, France

AFFILIATES IN SWITZERLAND

Adler Bank Basel A.G., Ba
Banque Romande, Gene

BANCA DELLA SVIZZERA ITALIANA

HEAD OFFICE: LUGANO,
SWITZERLAND



in Basle:
ADLER BANK BASEL A.G.

BANCA DELL SVIZZERA ITALIANA

PHONE LUGANO 70
TELEX 73.



1873

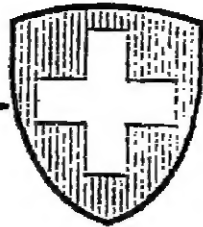
in Geneva, Lausanne, Martigny, Yverdon:

BANQUE ROMANDE

Consolidated balance sheet total at 31.12.1977

Consolidated deposits at 31.12.1977 (including trust accounts) Sfr. 4,630 millions

Sfr. 2,700 millions



Bank Scandal Stirs Up the Dust: A Call for Reform

IHT.—A heavy cloud over Swiss banking has been bank failures. Indeed, an ominous sign is the number of Switzerland which have at 28 in the last year. And there have been well-publicized losses authorized foreign ex- alings, uncollectable reasonable speculation ety of other suspect operations indicating ntrol over banks by ties is not as effi- vers as it should be. ers have habitually hat the institutions frequently controlled interests and should idered a part of the king establishment. x" banks, as one urch manager once were giving Switzer- nance. As uncomfortably as the rumors about gement and sharp coming home to current scandal in- dredit Suisse—one of Big Three commer- has shaken public i the system to a cent than the banks re yet prepared to ore than this, heat- the operations of Chasso branch has e media, and in the ent. The tighter anking has become use like never be- re government—the wiss Federal Coun- no bones about its over the broader of this scandal. tion with the two as banks, the Union rizerland and the Corporation, the al Bank—Switzer- al bank—took the al step of offering a stand-by credit to it Suisse if needed, ected as being un- the Zurich manage- is Suisse, but it sent 'ket into a flat spin red fears that the d in the Chasso be far larger than ilion (\$100 million) ated. To crown it, prosecutor investi- ranch activities in now claims that f as much as SF 1 involved. rly take some time full story emerges. essent tense situation no judging as re- abilities—as has been the unprecedented both the honorary the board and the ger of Credit Suisse. ivisions

outspoken president of the Swiss National Bank, Frits Leutwiler, has not hesitated in the past to voice his misgivings concerning numbered accounts, the in- credibly rapid growth of inter- national activities on the part of Swiss banks, and the fact that, like it or not, some Swiss banks do launder dirty money. On this and on the score of tighter con- trols, he has until recently been fighting an uphill battle against a heavily entrenched banking establishment. Now he has a much-strengthened public opin- ion running in his favor. Above all, it would seem that the latest scandal has knocked the stuffing out of the "holier than thou" attitude on the part of the major Swiss banks. In the past it was always the others who got involved in tricky deals or accepted deposits with no questions asked. Now such atti- tudes have lost much of their credibility. If the Credit Suisse was sucking in Italian money through its inflated Chasso

branch and then channeling it through Liechtenstein, can the other big banks have been far behind? Cosmetic measures are now no longer sufficient to deal with the banking situation. As the president of Switzerland's Social Democratic party said in parliament the other day, the time has come to put a stop to "dubious speculative transactions which have long been considered good form by the big banks." And while the Social Democrats are unlikely to achieve more than a small part of what they are asking for in the way of reforms, it would seem that major changes are now in the cards.

Controls

The banks will of course con- tinue to fight more controls as they have done over the past few years with respect to the flood of regulations aimed at controlling excessive flows of foreign and domestic funds. But it will be more difficult than ever to

charge the authorities with kill- ing the goose that laid the golden egg. At a time when the Swiss economy as a whole has been going through the roughest re- cession it has experienced in more than a generation, the banks have been doing very well indeed. The year 1976 was no exception to the general rule and produced new records in assets and profits for the banks.

The combined balance sheet total of the 71 banks reporting such data on a monthly basis rose in February of this year to SF 568.7 billion, up from SF 547.4 billion in the same month last year—a progression of 8.5 per cent.

In ten years the total assets of the Union Bank of Switzerland have, themselves, increased from some SF 12.6 billion to SF 52.7 bil- lion, and, of course, profits have moved up as well to reach a record SF 234 million last year. And this picture is typical for the other big banks.

Perhaps it is true, as it has been suggested in Zurich, that the great days of international- ization of the Swiss banks are over. But the level of foreign liabilities and assets in the bank- ing system remains very large. The Swiss National Bank has set these at 27.3 and 34.8 per cent for the total 1975 year-end bal- ances, and the percentages are hardly likely to have changed significantly since then. Other estimates put the total value of securities administered by Swiss banks as high as SF 300 billion, close to double the amount of Switzerland's national income.

Second Thoughts

Does all this mean that the banking sector is overgrown with respect to the size of the Swiss economy and in particular that their activities abroad are out of all proportion to the role that Switzerland plays in the world economy? The answer on both counts is a clear "no" from com-

mercial banking circles. But other people who should know are having second thoughts.

It is not only in banking, how- ever, but in financial activities in general that Switzerland plays a very large role on the inter- national scene. Its position as a major turntable in the inter- national capital market, with something like SF 40 billion in outstanding public market fore- eign loans and private place- ments, is mirrored in terms of sheer size by the stock market activity and the insurance and reinsurance business.

In turnover, the Zurich Stock Exchange is now second only to New York and London. Last year it booked more than SF 105 billion, compared with some SF 83 billion in 1975 and less than SF 69 billion in 1974. And fig- ures for the first quarter of this year show the Zurich bourse turnover running ahead of equiv- alent data for 1975 by some 37 per cent.

Progression on the Basel and Geneva exchanges is equally im- pressive. All have heavy listings in foreign securities, in excess of 350 for bonds and some 135 for shares. Commission levels are low and improved facilities are being introduced. The Basel exchange, which last year cele- brated its 100th anniversary, is looking into the possibility of al- lowing foreigners to join its ring membership.

Insurance

Switzerland is also a leader in insurance and reinsurance. Premiums are probably now in excess of SF 15 billion a year with well over half accounted for by direct or indirect foreign busi- ness. Indeed, taking the re- insurance business separately, 90 per cent or more of its activity is generated on foreign markets. On a per capita basis at least, Swit- zerland is by far the largest ex- porter of insurance.

The healthy banking, insurance and stock market picture bears witness to the political stability of Switzerland, its strong curren- cy, a certain vocation in the area of financial services, a responsible approach and hard work. Ulti- mately, too, it depends on the proper functioning of the domes- tic economy. Here, in times which are recognized as critical, the banks have an important role to play.

Exports Figures Are Off to a Promising Year

BERN (IHT).—Having register- ed an increase in exports last year of nearly 11 per cent, Swiss industry got off to a very prom- ising start in the early months of 1977. In value terms the com- bined January and February figures for overall exports were up by a full 18 per cent over the same period twelve months ago, setting for a total of SF 6.2 bil- lion. This reflected higher prices, since in volume terms in the same period there was a small decline in exports from 610,000 to 605,000 tons.

With the exception of cheese, books and a certain patchiness in the textiles and clothing sec- tors, all branches of Swiss indus- try were doing better in export terms earlier this year than at the beginning of last year, which, in turn, showed a sharp per- formance improvement over 1975.

In the metals, machinery and equipment industries, the upturn this year has been on the order of 18 per cent in value terms, with aluminum, metal-working and electric appliances and machines turning in particu- larly promising figures. The large non-electric machine sector has also seen values of export sales move ahead by nearly 10 per cent.

The chemical industry, as a whole, after its strong showing last year, has seen a slower growth in foreign sales in the first two months of this year: plus 6 per cent.

Dyestuffs have remained sta- tionary, chemicals are better but slow, while pharmaceuticals and cosmetics have been particularly in demand.

One-Twelfth

The textiles and clothing sec- tor, which accounts for about one-twelfth of Swiss exports in value terms, has turned in an- other poor performance at the beginning of this year. Cotton products were again surging

ahead, but at prices which, in some cases, are still well below costs. Synthetic fibers exports were down in the face of stiff competition abroad.

The overall export sales figure for the first two months of the year, SF 6.22 billion, would set ex- ports well ahead this year if the upward trend is sustained.

Much depends on the level of the Swiss franc with respect to other currencies. But as a result of a heavy upturn in imports, the continuing high level of capital exports and the large spread be- tween Swiss and foreign interest rates, the Swiss franc has actual- ly moved down by some 3.5 per cent in relation to the currencies of its 15 major trading partners.

Switzerland's immediate neigh- bors—West Germany, France and Italy—are the three largest trad- ing partners in terms of both ex- ports and imports. This means that the European Economic Com- munity figures very largely in the total Swiss trade picture.

Switzerland's free trade agree- ment with the community has encouraged an accelerated growth rate. Last year Switzerland ex- ported some SF 16.678 billion

worth of goods to the community, or around 45 per cent of the total. But at the same time the bill of Swiss imports from the com- munity amounted to more than SF 24.524 billion, so that the trade balance was running a hefty SF 7.846 billion in favor of the community.

Partner

The United States holds fourth place in importance for Switzer- land as a trading partner, and last year Swiss exports to that country increased by more than 18 per cent, while imports de- clined somewhat. Switzerland's former European Free Trade As- sociation partner, Great Britain, is fifth on the list, while Austria, Switzerland's fourth neighbor, is sixth.

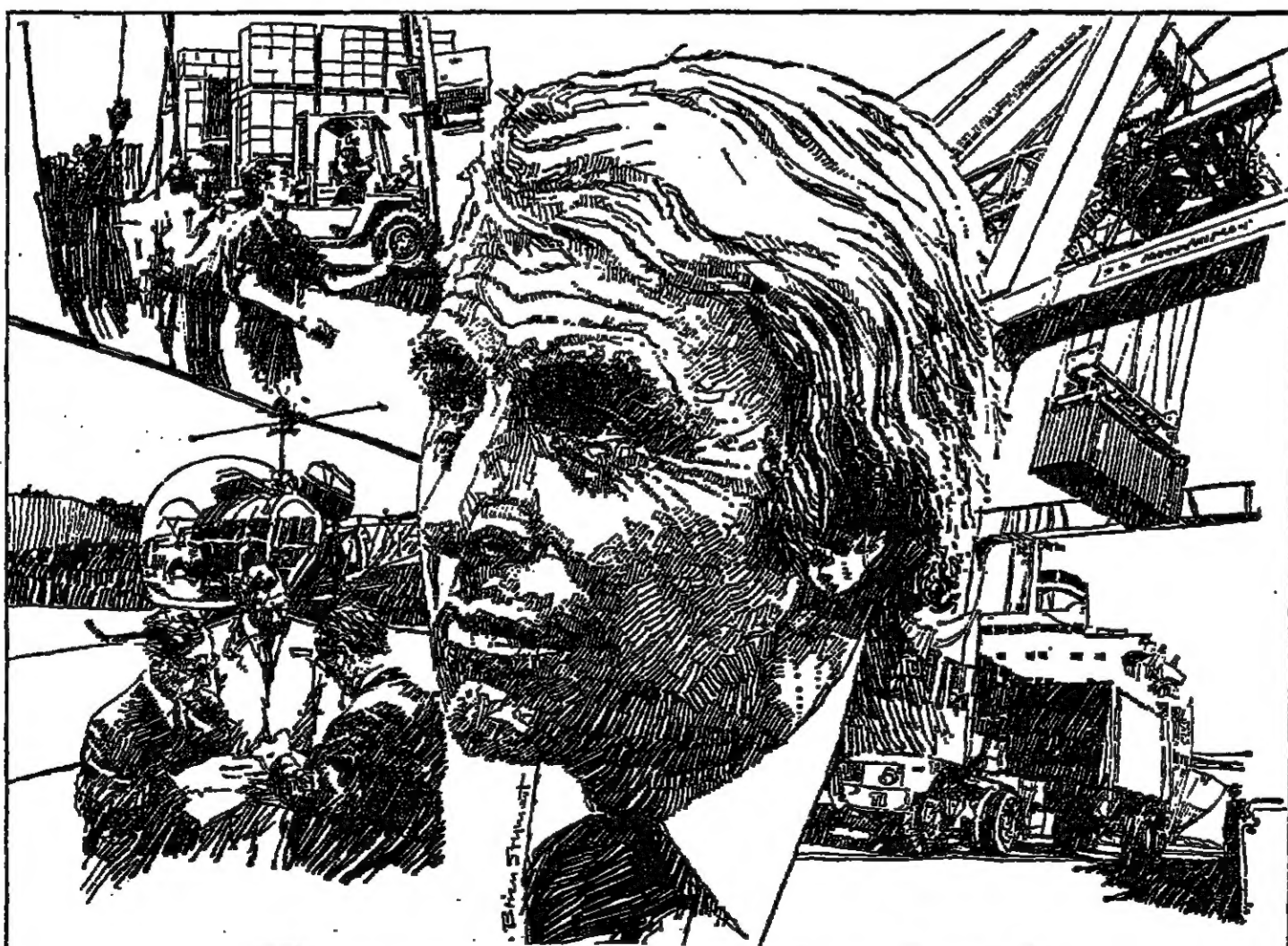
Overall Swiss exports were up last year in value terms by 10.81 per cent. In line with the good performance, essentially of the chemical industries centered in Basel, last year's export figures show a sharp rise (nearly 30 per cent) in sales of raw materials and semi-finished products. Sales of capital goods, on the other

hand, rose by less than 5 per cent in value terms, while con- sumer goods sales progressed by more than 6 per cent.

But the export sector was characterized essentially by "quantity expansion," meaning a gain in export volumes not ac- companied by any significant improvement in earnings. Natu- rally the situation has varied from industry to industry and there are marked differences be- tween various product ranges within certain industries.

It is likely that the story will be essentially the same again this year, although with an im- proved product line and a lower Swiss franc some hard-pressed in- dustries, like watchmaking, are beginning to breathe a little easier. But again, much will de- pend on the impact of a revival in foreign demand, and how solid this is.

It is expected that the trade balance, rather than being pos- itive as it was in 1976 (plus SF 174 million), will show a shortfall of up to SF 1 billion, which would bring the position more or less back to what it was in 1975.



The man with exceptional goals needs an exceptional bank.

What makes Trade Development Bank exceptional? To start with, there is our policy of concentrating on things we do unusually well. For example, trade and export financing, foreign exchange and bank notes, money market transactions and precious metals.

Geographically, too, we work mainly in areas where we have something special to offer. This includes the U.S.A. (our U.S. affiliate, Republic National Bank of New York, is now one of America's 60 largest banks). It also includes a number of

countries which, frankly, many other banks lack the first-hand knowledge to tackle properly.

What's more, we keep our back-office systems running abreast of our business. You don't notice this directly, but it shows up in quicker decisions and fewer errors.

Serving our clients well has helped us grow uncommonly fast. Today, we're big enough to provide most of the sophisticated facilities of the international banking giants—but lean enough not to keep you waiting for decisions.

As part of the Trade Development Bank Holding Group (over \$3.2 billion in assets and over \$317 million in capital and loan funds employed), we're ready to serve you in most of the world's financial centers.

Key Group offices: Geneva, London, Paris, New York (Republic National Bank of New York). Other offices in Beirut, Bogotá, Buenos Aires, Caracas, Chasso, Frankfurt, Luxembourg, Mexico City, Montevideo, Nassau, Panama City, Rio de Janeiro, São Paulo.

Trade Development Bank

Shown at left, head office of Republic National Bank of New York, U.S. subsidiary of the Trade Development Bank Holding Group. The 56th largest bank in the United States, ranked by order of deposits, Republic is one of America's fastest-growing financial institutions.



CORUM

You will treasure our ultra-thin watch in an authentic gold coin.



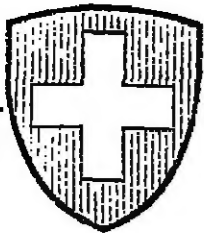
CORUM
Artisans d'Horlogerie Fine

est jewellers. For a full-colour brochure write to CORUM
2301 La Chaux-de-Fonds, Switzerland.

Come to the flavor of Marlboro



Marlboro, the number one selling cigarette in the world.



Denis de Rougemont: Holding to a Respect for Individualism

GENEVA (IHT)—With more than 30 books behind him, Denis de Rougemont is one of the most prolific of contemporary Swiss authors. His new book, *L'Avenir est Notre Affaire* ('The Future Is Our Business'), will appear this summer.

More significant than the actual volume of his output—translated into 17 languages—is the fact that his writing is closely knit around two essential themes: respect for the individual and regionalism. An active participant in the movement for European federation for more than 30 years, he is presently director of Geneva's Graduate Institute for European Studies.

Although he still identifies closely with his native Swiss city, Neuchâtel, he has—quite typically—lived for more than 20 years in the region of France bordering on Geneva, and commutes across the frontier to go to work.

Denis de Rougemont believes that the Swiss experience with federalism is important for Europe. In the following interview he brings out what he sees as some of the central features of this experience, addressing himself first to this year's emergence of a new canton in the Swiss Confederation. The Jura canton broke away from the canton of Bern essentially, he feels, because the latter failed historically to assimilate the essentials of Swiss federalism, particularly respect for minorities.

Denis de Rougemont:—The canton of Bern, which for three centuries was an imperialist force, is an apt illustration of what happens when a state tries to centralize its administration and fails to recognize the differences within the population. The minorities are pushed towards separatist activity whereas in the cantons with a more developed sense of federalism and which are not centralist, it is very easy to manage the peaceful co-existence of different groups and

even different linguistic groups.

The canton of Grisons encompasses four different linguistic minorities simply because there never was a significant majority attempting to impose its domination on the others. Each group remained in its own valley but the result was a successful experiment in federalism. Bern is the only canton in Switzerland where the issue of language has given rise to a separatist movement, and even a rather violent form of separatism at times.

Q—It would seem then that Bern did not learn the Swiss lesson?

A—Relatively speaking, Bern behaved towards the Jura in the way that France, the typical example of a centralized state, has behaved for centuries and still behaves towards its minorities with the result that these minorities are now separatist.

Many Bretons and Basques now say that they wouldn't even wish to remain within a French federation, but would like to establish ties directly to Europe as a federal entity. This is because they are convinced that France will never understand the concept of federalism or the idea of regional autonomy. When I say France I mean, of course, official France. Paris and official French policy.

Q—Do you think that separatism in the Swiss Jura would have been as virulent and have achieved the creation of a new canton within the Confederation had it not been for the example of separatist movements elsewhere in Europe? Perhaps on the other side of the barrier reactions were not all that Swiss either?

A—In situations of this kind with a centralist state the danger is that minorities are pushed beyond claims of autonomy toward outright separatism. That is to say a form of local nationalism develops which, but for the fact that it is on a smaller scale than the typical nation-state in

Europe, is no better. People are pushed to adopt extreme political attitudes. Basically this falsifies the problem of regions, because they try to become little nation-states.

In Bern we see today a French-speaking majority in the Jura region, having achieved its independence, now trying to claim its "rights" on one French-speaking valley, Moutier, which decided to stay Bernese. The new Jura canton is in fact behaving imperially toward the Moutier Valley and cannot admit that there is this little minority which stays on the other side simply because that's the way the local people want it. In fact the new Jura canton is copying the behavior of the canton of Bern, as did the liberated Czechs with the Slovak and Sudetan minorities.

Q—You talked of regions and the creeping power of centralism. How do you react to the increasing economic hold on the country of the Swiss federal government?

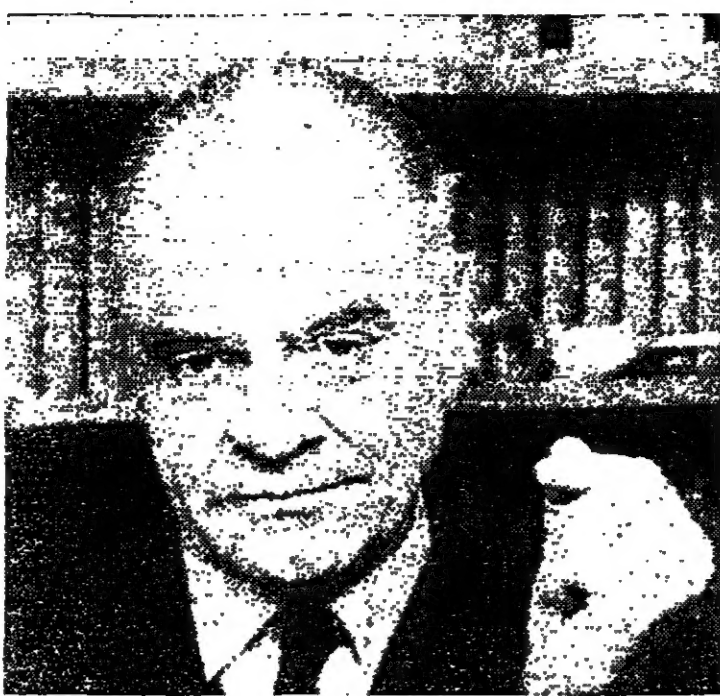
A—To my mind federalism does not simply imply cantonal autonomy. The cantons are small states, but federalism is a principle of political organization which is much more broadly based. Essentially, it reposes on the ability to tailor the task at hand to the size of the community best able to handle it. Thus country lanes come under the authority of the commune while motorways are a federal affair, and certain other duties could be more appropriately handled within a federated Europe, or even have to be tackled on a global level, such as, for instance, the protection of the high seas.

It is not by any means evident that the canton is the most appropriate framework for everything. It is fine as far as a school authority is concerned. The fact that schools depend on

cantonal authorities in Switzerland is a good thing because there can be valuable and useful differences in education as between one canton and the next, reflecting the essentially urban or rural nature of certain communities and also reflecting the basic religious trends within the population.

But in certain respects economic issues go far beyond the competence either of the communes or the canton. They require national or even supra-national solutions. I do not believe that it is possible to really tackle the problems of inflation and unemployment merely at a national level.

Switzerland has managed to get by on both these problems



Denis de Rougemont

Donald Stampfli

simply because it has been able to export a very large number of foreign workers. But this, in fact, underlines Swiss dependence on the rest of the world. The nation-state, centralization carried to an extreme, leads in the direction of the totalitarian regime and war. The other pole is that of regionalist federalism. This is a sort of total federalism stemming from the base: small communities which are federated little by little in accordance with the scale of the problems that they have to face. This gives an extremely complicated organizational system but one based on a single and simple principle: the decision-making level, the scope of the task at hand and the size of the community should coincide.

On the one hand you have cities like New York or Paris with from 10 to 13 million inhabitants: cities which have become ungovernable and in which the individual is reduced to a number. In these cities there are perhaps a few hundred elected representatives, whereas for Switzerland, with six and a half million, the number of elected representatives of the people, on communal, cantonal and federal level, is around 40,000. It's a striking difference. The bigger the community the fewer the number of elected representatives. At the end of the line, there is a dictator and a well-disciplined population—but this can no longer be seen as a community.

Q—How do you see the Swiss experiment with federalism?

A—The first necessity, which emerges from the Swiss experiment is that of neutrality—the refusal to resort to the use of force to settle disputes. Why were the Swiss obliged to go neutral already in the 17th century, from the Treaty of Westphalia in 1648, and one might even say from 1515 and the Battle of Marignano? They were the best soldiers in Europe, but they had difficulty in agreeing on a coherent policy, firmly determined as they were to retain their autonomies and differences. They were beaten for the first time at Marignano because one group of cantons was more interested in what was going on in France and the other in developments in Italy.

The bigger the stature of the belligerent the more destructive is the war-making potential. Accordingly, if we are to reduce the risks of war we have to scale down the size of our unit. If we can get down to regions, these are too small to wage nuclear war. My whole interpretation of the history of Switzerland, of Europe and the world reposes on the antinomy between the desire for power and the will to develop a free and responsible individual person. If one opts for collective power, one goes the road of the nation-state and oversized centralized societies with a disciplined population and armaments which inevitably lead to war. The other possibility is the freedom of the individual which supposes the existence of small communities within which such individual liberties can be respected.

In Switzerland it is exactly opposite. Swiss federal taxes are minimal and were imposed only during the First World War and are still called the National Defense Tax—again showing the link between war and the central power. We are now in peace but we still continue to pay the National Defense Tax. A hangover from the war of 1914-18.

Q—But surely it is natural for some expenditures to be handled on a national level.

A—There are certain tasks which can and should be handled by the central government—by "Bern" as we say in Switzerland—the railways and the postal system for instance. You can't imagine a railway system which

is simply the addition of different cantonal railway systems. You can't build motorways on the basis of each commune paying little section. But everything that can be handled by the commune should be based on financial resources of the commune.

The same thing applies to local problems. Lake Geneva, polluted by factories in the Canton Valais, by Swiss towns on the north coast and by French rivers on the southern side of the lake, with the national frontier passing through the middle. I can save the lake from pollution without forming a regional authority made up of all the communes of the Lake Geneva basin. Instead, we have set up an international commission, with lines of authority passing through Bern and Paris, where river over pollution in the lake is a tiny minor. It takes years for a need expressed by the commission is translated into law, and in the meantime the situation gets worse.

Local people are acutely aware of the impossibility of resolving such problems on a national level. Children realize this very early: they see economic realities of swapping, not tied to concept of national territory; environmentalists see it very early—pollution has never been speeded by national boundaries.

On top of this there are linguistic and ethnic facts of which have completely different frontiers. In the canton of Jura there are no problems related to the different languages. The German-speaking part has been German-speaking for centuries, and the linguistic frontier doesn't move, whereas the economy changes all the time—all have to do is set up a factory in some area to completely change economic patterns.

The rhythm of change concerning language is perhaps a bit slow; concerning political frontiers in Europe it is on average 89 years—I worked this out and the rhythm of economic change is about five years.

Idiocy of national frontiers that they represent artificial barriers ostensibly encompassing these elements—plus, frequent ideological considerations, aspect of life should be based on a different level and at a different natural region.

If you're looking for a transnational bank, come to the Pyramid.



The Bankers Trust Pyramid is virtually everywhere. We have offices in 47 key cities on 6 continents and a network of 1,700 correspondents in 119 countries.

But being transnational—that is, able to conduct business beyond national boundaries—is not as important as how well we conduct business. We pride ourselves on being skilled professionals, with over 60 years of experience in international banking to draw from.

It would be fairly difficult to exhaust our international services. They range from complicated loan syndications, overseas private placements and trade financings, through foreign exchange and cash and Eurocurrency management, to routine remittances via air freight.

Our bankers are prepared for the most intricate and demanding projects. (A case in point might be one involving a transnational company, a developing country, several government agencies and multiple currencies.)

This is why so many companies come to us for so many different types of financing—a Yugoslavian nickel mine, for example, or an American company building tractors in Germany for Turkish farmers, or a North Sea oil exploration project, or an American company exporting grain throughout the world.

Wherever you see the Bankers Trust Pyramid, you're dealing with a full service bank in the fullest sense of the word, with the capacity to raise, lend and manage money worldwide.

Whatever your needs, a visit to the Pyramid can be a rewarding experience.

Bankers Trust Company

Swiss subsidiary: Bankers Trust AG, Dreikönigstrasse 6, 8022 Zürich, Tel. 01/36 67 37

International Banking Subsidiaries in the United States: Chicago, Houston, Los Angeles and Miami. Overseas Branches: London, Birmingham, Milan, Paris, Tokyo, Singapore, Nassau and Panama City. An International Banking Network of branches, subsidiaries, affiliates and representative offices in 35 countries on 6 continents.

Zurich

Jeddah

Bahrain

Manila

Seoul

Five important points for all those who would like to carry out their business in the Middle and Far East more efficiently and in greater comfort.

KOREAN AIR LINES

Telstrasse 58, 8001 Zurich, Tel. (01) 27 40 31, 27 40 22/3, Rue de Bern, 1201 Genève, Tel. (022) 32 23 20

INTERNATIONAL

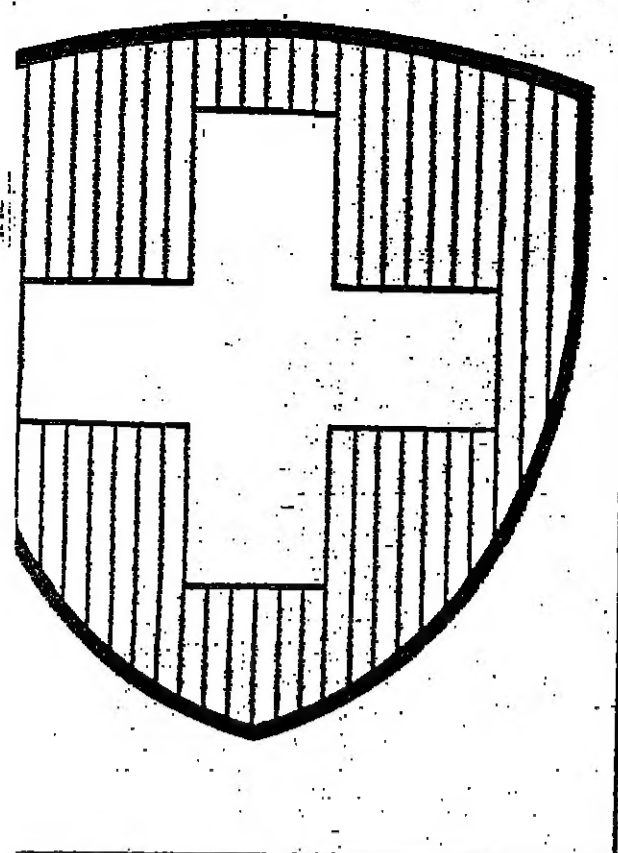
Herald Tribune

Published with The New York Times and The Washington Post

PARIS, MAY, 1977

FOCUS ON SWITZERLAND—1977

A Rich Nation in the Throes of Transition Displays Concern Rather Than Complacency



Headaches Abound

Economy: A Blessing, However a Mixed One

(DET)—On the face of it, most any other country might be in for a little trouble over Switzerland's problems. Indeed, one might query the fact that such problems in a startlingly healthy economy induced by the Swiss.

With the best known inflation rate in the world at just a little more than one per cent annually, by far of any OECD nation, a spectacular rise when one considers that prices rose by 9 per cent a year on the 1972-73 period, with an unemployment rate scarcely more than one per cent and a current account surplus of more than 10 billion for 1976—all despite the heaviest of any currency and you have an already mixture, perhaps compared with the devastation and inflation experienced in Switzerland's major cities.

Swiss have headaches, so. The way figures seen as the top layer of a rather unpalatable to the Swiss are looking for yet found and to find in the near future of achieving growth—the longer of a small, export-oriented country which is particularly vulnerable to the economic climate in the world.

Recession

paid for the apparent rate of inflation sharper recession than in any other country, and, indeed, the Swiss are looking for yet found and to find in the near future of achieving growth—the longer of a small, export-oriented country which is particularly vulnerable to the economic climate in the world.

In effect, the Swiss are looking for yet found and to find in the near future of achieving growth—the longer of a small, export-oriented country which is particularly vulnerable to the economic climate in the world.

is Survey

Survey was prepared by David Egli.

Swiss franc had a value of 5218 to the dollar on

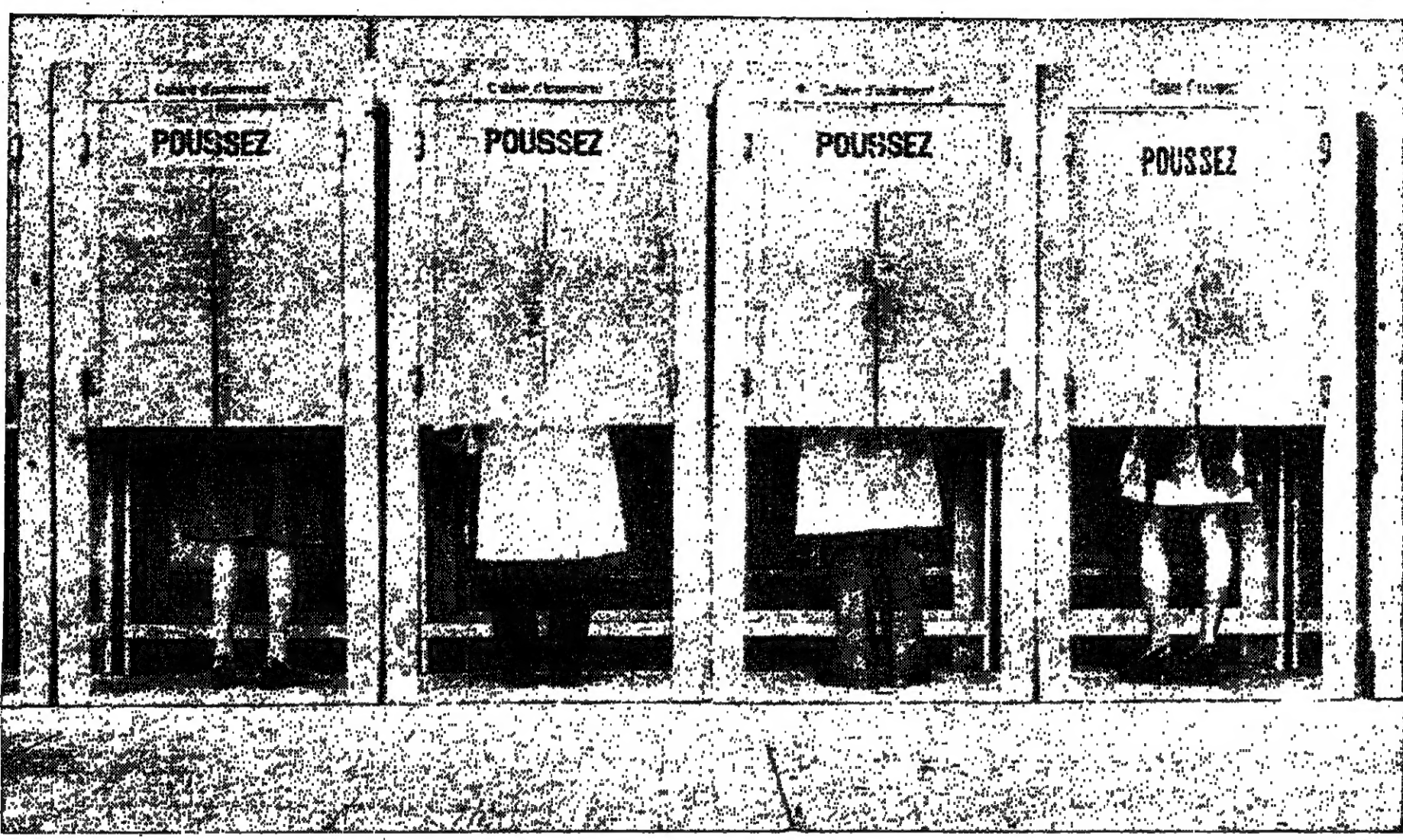
petus for their own economy. And the fact is that what looked like a significant upturn in the early part of last year has petered out, leaving Switzerland, as it were, to face its structural problems alone.

The authorities appear not to know what to do beyond hoping that, with luck, things will get better. They appear to believe that the Swiss franc, has finally settled down at somewhere between SF 150-155 to the dollar, and will not be pushed up again on the international monetary markets. They may be right, but they could be wrong.

The continuation of a stern anti-inflationary policy combined with a renewed surplus on current account similar to last year's could, of themselves, result in renewed pressures on the franc even without the potential backlash of political and monetary disturbances abroad. And the fact is that the current account surplus is probably going to be at least as large as last year, if not even bigger. This could, perhaps, be reduced to more manageable proportions by engaging in more aggressive reflationary fiscal policies, but for a variety of mainly political reasons this does not appear to be in the cards.

So industry will have to struggle on, with flimsy exports achieved through cutting profits to the

(Continued on Page 2.)



The rote takes place quietly and in privacy.

Daniel Vitti, OSEC.

Way of Life Proves to Be Vulnerable

By David Egli

BERN (DET)—Spurred by economic difficulties and criticism from within, the mood of Switzerland is changing. Complacency has given way to concern as, one by one, the time-worn tenets of the Swiss way of life are challenged and prove to be vulnerable. Given to introspection and conditioned from a tender age to move gingerly towards compromise when faced with alternatives, the Swiss are at a loss as to how to respond to the present erosion of the political, economic and social climate. Few, however, would deny the existence of an underlying malaise diffused throughout the fabric of a very diverse society.

The economy has weathered the worst recession in a generation, with a steeper decline in industrial production than in most other European countries, but it continues to shrink, and if not as merrily as before still with virtually full employment and no erosion of real incomes. The unemployed are not lining the streets and everyone can still pay the high prices for food and necessities.

Still, there is a slightly guilty awareness that this is thanks to the unprovoked quiet departure of hundreds of thousands of foreign workers and the overvalued value that others put on the Swiss franc which was a major factor in holding down inflation. There is an awareness, too, of the precariousness of the economic situation, the fact that in several sectors at least there are companies which might not survive an additional turn of the screw, and that, in any case, considerable restructuring is called for in certain industries.

Strikes

So far the labor unions, by and large, have been playing the game according to the government rule book, but the "labor peace"—the contractual arrangement under which Switzerland has been virtually strike-free for a generation—has been under fire, and wildcat strikes in the watchmaking, typsetting and other industries have illustrated a newly and for some alarming pugnacious mood on the part of the work force.

Even the established labor unions have not been immune to criticism that they are in cahoots with big business and the banks in running the country along strictly capitalist lines. The continuing very high standard of living and moves towards improved social security have kept the left wing in line on the economic front, although the fact that Switzerland acceded to the first place in the honors list of richest industrialized countries at this time is considered something of a sick joke.

Too Healthy

Another source of concern is the Swiss franc which has proved altogether too healthy for comfort. The countries which pay the major part of UN contributions have watched with awe and misgivings as wages and costs in Geneva skyrocket in comparison with their local currencies.

Suddenly questions of efficiency emerge. News agencies carry stories of general staff take-home pay in Geneva translated into dollars and ranging up to a stunning \$600 a week. A U.S. Senate report acidly remarks that: "All too often the organizations, headquartered in extravagant and luxurious surroundings, are ineffective, overstaffed with high-paid officials, underrepresented by U.S. personnel, uncertain in their purposes, and unduly repulsive of the activities of other organizations." Anyone who has been in Geneva longer than a few days must agree, however reluctantly, to much of this claim.

But while these charges cannot be held against the city or Switzerland in general, there is another cause for worry—the apparent lack of enthusiasm of the Swiss themselves for the kind of international solidarity that the

(Continued on Page 2.)

World Changes Menace Geneva as 'Home' to UN Groups

GENEVA (DET)—Although more than a hundred countries are taking part in the present Diplomatic Conference on Humanitarian Law here it is in many respects a curiously Swiss affair. Hosted and largely financed by the Swiss government and presided over by the Foreign Minister, Pierre Graber, the conference, now in its fourth consecutive year of meetings, is aimed at bringing the Geneva Red Cross conventions of 1949 more into line with modern military practice.

"Conscience compels us to success," Mr. Graber noted the other day in an appeal to everyone involved to get on with the work. But what he seemed really to be referring to was not the conscience of other nations in the face of the increasingly devastating effects of war, but the "conscience" of Switzerland—the awareness, acute on the part of the government, and certainly felt at least latently within large segments of the population, that this country must play an active role in international affairs and can do so quite convincingly in "humanitarian" activities.

The endless rounds of drafting to produce the two protocols now being discussed are themselves based on more than ten years of patient preparatory efforts on the part of the International Committee of the Red Cross which, despite its name, is a private, all-Swiss body.

A Center

Inevitably and intimately tied in with the Swiss concept of active neutrality, the impartial efforts of the International Red Cross to alleviate suffering during the First World War may have been instrumental in the development of Switzerland, and particularly Geneva, as a center for international organizations. In any case, before World War I there tended to be far more international congresses in centers like Paris, Brussels, or London. The turning point came after 1918 with the establishment, largely at the insistence of President Woodrow Wilson and in the face of some considerable opposition, of the League of Nations in Geneva.

True, the city had an international vocation dating back to the time of Calvin and the Reformation. It was a centrally situated place of refuge for those subject to political or religious persecution, and its private banks—flourishing under the Protestant ethic—were already providing

similarly protective services as far as money was concerned. The League of Nations brought with it a flood of other international bodies. Geneva hotels discovered the advantages of a year-round clientele composed of government delegates attending meetings. But hardly had the rambling Palais des Nations—for years Europe's largest office building—been completed than the nations of the world found themselves back at war again and the League faded away.

Gradually Joined

If Geneva, too, did not disappear as an international center after World War II it was largely for practical reasons—there was this big white elephant of a building—and also because the Europeans felt that not everything should be in New York. So the United Nations decided to set up its European head-

quarters here, and again this brought a bewildering new array of other bodies to the city. Specialized UN agencies joined the few survivors of the prewar period such as the International Labor Organization, The World Health Organization, the International Telecommunications Union, the World Meteorological Organization, the secretariat of the General Agreement on Tariffs and Trade (GATT), the UN High Commission for Refugees and others gradually installed themselves and transformed Geneva's skyline with monumental architectural affirmations of man's renewed faith in international solidarity.

Geneva as a city has many practical advantages to encourage this kind of development: it is still a small place where everything is within easy reach, it is centrally situated in Europe, it has excellent communications,

things work as they tend to in Switzerland generally and it has, or had, this marvelously stable currency, the Swiss franc.

Even the Swiss found that they could not wink international organizations, or even many non-governmental organizations out of Geneva. Apart from the Bank for International Settlements, set up in Basel for historic reasons, the Bern-based Universal Postal Union, an emanation of the mid-nineteenth century, and the Central Office for International Railway Transport, there are few other such bodies elsewhere in Switzerland.

The International Cyclists Union, the International Road Federation, the air carriers (IATA and non-IATA), the cardiologists, the Christian youth, exchangers, the Council of Nurses, trade union federations, the Society for Krishna Consciousness or that of postmasters—all decided they had

to be in Geneva. And it seems very unlikely that even the persistent efforts of the current Secretary-General of the United Nations to switch some parts of the huge UN administration to Vienna will do much to change the basic facts of the situation.

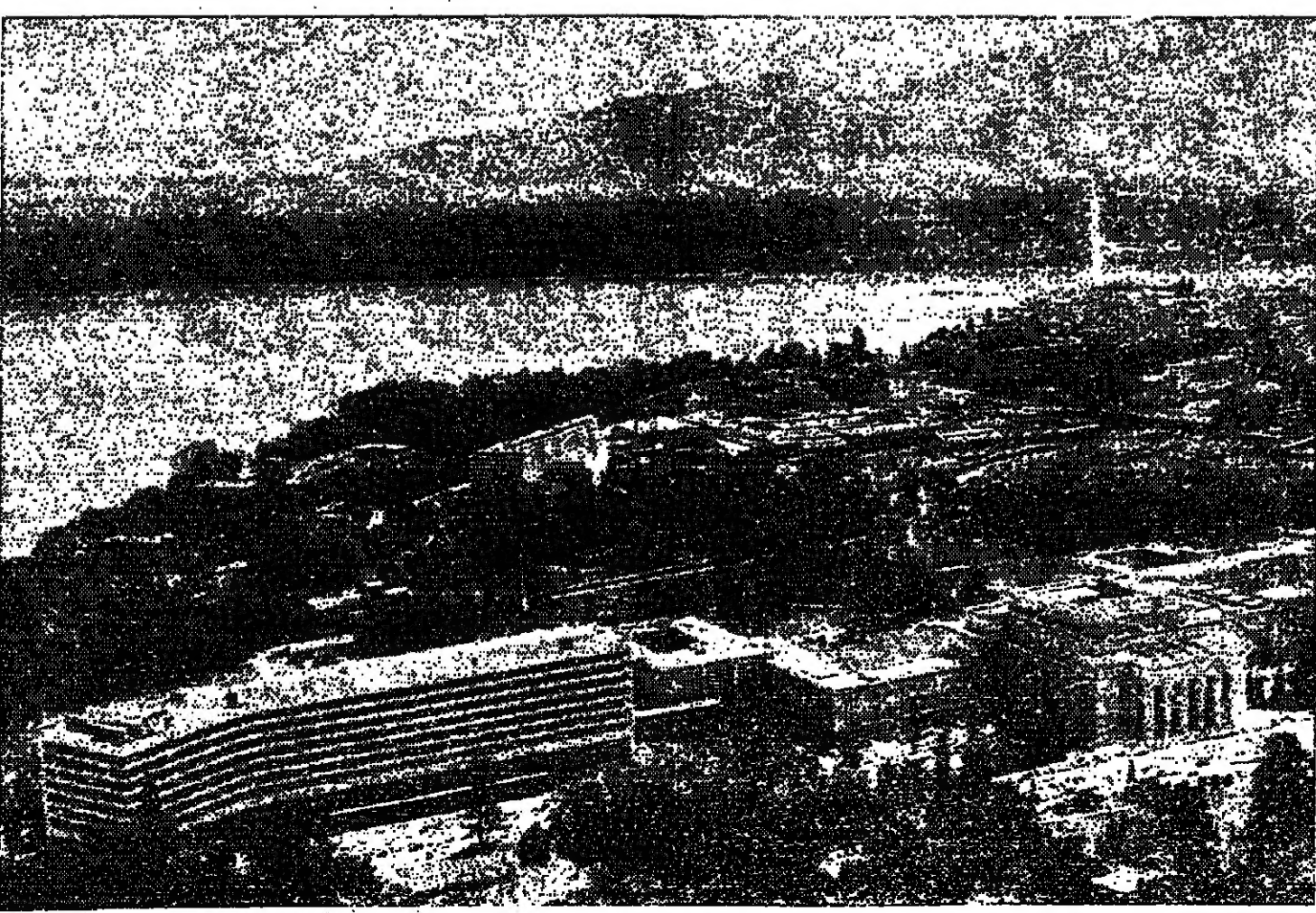
The Web

As one Swiss observer to the UN General Assembly put it a couple of years ago: "Geneva is perhaps a unique example of what one might call the organic development of an international city. For more than half a century this development has been steadily taking place in step with necessity. . . . Thus there is a tight network of professional and human relationships joining the international organizations in the city. The web is perhaps invisible; it is nevertheless important for international cooperation. . . . It would be regrettable

if it were disturbed without due cause."

By now Geneva, and Switzerland have a strong vested interest in keeping things as they are. Despite right-wing local opposition, the federal government has poured a lot of money into the new Congress center where the Humanitarian Conference is being held. Perhaps 15-20 per cent of hotel nights registered in Geneva can be directly attributed to the international vocation of the city, and of course the local retail trade and the real estate agents have done very well out of the deal as well.

But there are a variety of dangers looming on the horizon. The growing importance of the developing countries in the UN decision-making process, the increasing influence of China, the important interests at stake in other areas of the world combined with a gradual decline in European influence; all these political factors are having an increasing impact. More and more major international meetings are distributed around the world, and the new bodies that are being created, such as the UN Environment Program in Nairobi, are being headquartered elsewhere.



Palais des Nations, overlooking Lac Léman, housing the European office of the United Nations in Geneva.

L. Blanco ARA-UN.

Change

But more importantly, the realization has sunk in that the system itself is open to criticism. However good it looks on paper, and it has been held up for so many years as a prime example of a working democracy, the Swiss system is so full of checks and balances, so geared to the patient accommodation of the

(Continued on Page 2.)

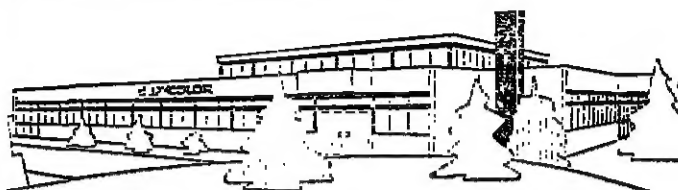


Suzan Farkas.
Portrait Photography
19, passage Malbuisson
1204 Geneva
Telephone 022 / 28 67 22

When in Geneva have your beautiful color portrait photo taken and delivered within 3 working days, signed Suzan Farkas

Suzan Farkas,

the famous portrait photographer uses exclusively the processing services of
INDUSTRIAL COPYCOLOR
Professional Photofinishing Laboratory



COPYCOLOR SA

1001 Lausanne / Switzerland

Switzerland's leading
PROFESSIONAL PHOTOFINISHING LABORATORY

We have an outstanding delivery record to

- Corporate advertising departments
- Advertising agencies
- Professional photographers

for further information contact our Marketing Director, Mark Roesli (Telephone 021 / 89 27 21) or send in this coupon for a free brochure and price list.

Return to: INDUSTRIAL COPYCOLOR SA, POST BOX 220
CH-1001 LAUSANNE / SWITZERLAND

Name _____ Title _____
Company _____
Address _____
City _____

IBM in Switzerland

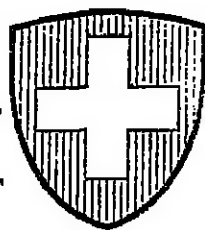
IBM has been doing business in Switzerland for more than fifty years. Today IBM Switzerland employs some 2,400 people. People who are dedicated to satisfying the office equipment and data processing needs of Switzerland. These employees work in sales and support offices located in the major cities of Switzerland. Zurich is the location of one of IBM's research laboratories. Here, over 100 men and women carry on fundamental work in the area of solid state physics, solid state electronics and communications systems.

The computer today is a development of world-wide efforts not limited to any one area, country or continent. There is a constant interchange

of ideas, people and expertise between users of computer systems and their manufacturers. This international interchange has helped IBM develop products that serve a world marketplace. Our commitment to producing a world-wide product line is based on a free exchange of computer technology and the opportunity to market products in a free economic environment.

As a part of the IBM organization, IBM Switzerland makes a significant contribution to our operations throughout the world and to the productivity of Switzerland.

IBM



Birth of a Canton: Outgrowth of Regional Needs, Separatism

DELENT (HT)—The long constitutional procedure putting the final seal of approval on the creation of the new Jura canton will be completed in a little more than a year. At that time the official number of Swiss cantons and half-cantons, which has remained stable since 1814, will be increased to 26 in all. And despite the occasional violence which has marked the separatist movement over the years, and the continuing tense relationship between the new French-speaking canton and the German-speaking Bern canton from which it broke away, there is little doubt that the newly "independent" Jura will be broadly welcomed as a new member of the Confederation by the Swiss people.

But this is not an entirely happy event for the Swiss. While it may be seen as an illustration of their ability to modify structures which have become historically crystallized in order to ensure respect for the wishes of a minority, it is not a success in the context of the federalist approach.

At this stage most would not care to challenge the validity of the arguments put forward by the Juraans in their efforts to achieve that degree of self-determination offered to the Swiss canton or mini-state under the Constitution. But there is a certain sadness in the realization that essentially linguistic differences, and the friction caused by them, have resulted in the breakdown of a pattern of harmony which has served the Swiss people long and well.

Separatism

The Bern canton was not and is not by any means the only member of the Confederation encompassing two distinctly different linguistic and cultural groups. The cantons of Fribourg and the Valais are also divided between French and German-speaking Swiss but have managed, apparently without great effort, to avoid the kind of problems which have plagued the Bernese in the mountainous Jura region bordering on the French frontier. And it would be a sad day, indeed, if they too were to suffer this kind of internal dissension.

Some feel that Jura separatism was too largely inspired by sep-

arist movements elsewhere in Europe and that it does not find a natural setting within the context of the Swiss experience.

The fact is that however proudly the formula of "one land—four cultures" is proclaimed, the Swiss of different linguistic and cultural backgrounds seem to spend a considerable amount of time simply ignoring each other, which is perhaps the best way of disregarding a certain latent antagonism which undoubtedly exists. In essence the French and Italian-speaking Swiss, as well as the small Romansh-language group in eastern Switzerland, tend to feel overburdened by the sheer economic and numerical weight of the German-speaking population, which accounts for some two-thirds of Switzerland's inhabitants.

With a few notable exceptions heavy industry and other important economic sectors are largely concentrated in the German-speaking part of the country, and undoubtedly the powerhouse of the Swiss economy is in the north. The German-speaking Swiss, who appear to enjoy a higher degree of self-confidence, go to great lengths to avoid attitudes smacking of economic or cultural colonialism with regard to the other areas of the country.

Raw Nerve

Proportionally, they make a far greater effort to master the complexities of the Latin languages than the French or Italian Swiss do to speak German. The Romansh, or French-speaking Swiss, in particular, seem to spend much more of their time developing sick jokes about the "federal" French spoken by their northern neighbors than actually attempting to speak German. This is a useful way of channeling antagonism. But scratch the surface in Geneva or the Ticino and you expose a raw nerve, with complaints ranging from the number of German-Swiss employed in the banking sector to the high concentration of retired Swiss-Germans who have purchased land and opted to live on the sunny side of the Alps.

In reality the problem is not merely economic or numerical. It lies in the fact that the German-speaking Swiss have achieved a higher degree of cultural eman-

ipation from Germany than have the French or Italian-speaking Swiss. The rest of Switzerland may be divided—very broadly—into six regions. The powerhouse is undoubtedly the Zurich-Zug-Schaffhausen area, a narrow northwards sweep in the central part of the country. The population here, including Switzerland's largest town, Zurich, has increased fourfold since 1850, with more than one-third of the wage-earners employed in industry producing mainly machines and vehicles. But banks, insurance companies and commerce have also developed very quickly and, in terms of work places, now rival industry as the number one activity. Through its exports and its banking business the area contributes in no small degree to Switzerland's positive balance of payments.

Other Differences

Besides language, there are of course other marked differences from one area of Switzerland to another. Religiously the country is almost exactly—although not nearly—divided between Catholics and Protestants. And then there are the economic facts of life. The economy of the Zurich canton is one hundred times larger than that of one of the smallest half-cantons.

And so it goes on. There are well developed and less developed areas, those with a high population concentration, those with a very low one, and, as a backdrop, the largely barren and poorly inhabited Alpine region.

The cantons of the Alpine region cover about 40 per cent of the total area of Switzerland, but with only 52 inhabitants per square kilometer, the population density is less than a third of the national average. A relatively higher percentage of the active population is engaged in agriculture, construction and the

hotel business, but their average income is lower than elsewhere. The rest of Switzerland may be divided—very broadly—into six regions. The powerhouse is undoubtedly the Zurich-Zug-Schaffhausen area, a narrow northwards sweep in the central part of the country. The population here, including Switzerland's largest town, Zurich, has increased fourfold since 1850, with more than one-third of the wage-earners employed in industry producing mainly machines and vehicles. But banks, insurance companies and commerce have also developed very quickly and, in terms of work places, now rival industry as the number one activity. Through its exports and its banking business the area contributes in no small degree to Switzerland's positive balance of payments.

A Crossroads

To the western side of the Zurich industrial complex lies the cantons of Aargau, Solothurn and the two half-cantons of Basel—again economically a very highly developed area. Northwestern Switzerland, which accounts for only 6.4 per cent of the total surface of Switzerland, contains nearly 18 per cent of the working population and produces almost a quarter of the national income. Aargau and Solothurn are considered to be the workshops of Switzerland, while Basel is both a very important commercial and financial center as well as being the headquarters of the extremely important Swiss chemical and pharmaceutical industry.

Basel, the site of the first bridge across the Rhine, has always been and still is a crossroads in the heart of Europe, with an intense flow of people, goods and ideas.

Further to the east, on the other side of Zurich, is what used to be the famed textile area of eastern Switzerland. But the textile and embroidery industries suffered a most severe setback in the 1930s and this area, in economic terms, has been progressing only slowly since the turn of the century. Its population today is barely more than 50 per cent higher than it was in 1900, while the population for Switzerland as a whole has almost doubled in the same period. The metal, machinery and machine-tool industries have developed particularly quickly here, while the textile industry still employs more than 25 per cent of the industrial workers.

The economic recession has hit this part of Switzerland as hard as almost any other, but the greater diversification, marking the present-day industrial picture has made it better equipped to withstand such shocks than it was in the 1930s.

Linguistic Frontier

These three areas, along with the central Alpine region and the large eastern Swiss canton of the Grisons account for nearly all of German-speaking Switzerland, apart from Bern, the federal capital, and its own extensive hinterland in the western-central plateau. Agriculture holds pride of place in this broad area, although it also includes the main watchmaking center along the foot of the Jura. The linguistic frontier with French-speaking Switzerland runs through parts of this area, extending southwards through the cantons of Fribourg and the Valais.

The French-speaking cantons lie to the south and southwest. Here there is great diversity. On the one hand there are urban

service-oriented cities like Neuchâtel, or highly industrial cities like Yverdon; on the other there are the essentially agricultural cantons of Vaud and Alpine canton of Valais.

With 22 per cent of the Swiss population, the French-speaking cantons earn about the same proportion of the national income, but this is not too high. Only 18 per cent of Swiss industrial concerns are based in this area and the number of people they employ is high proportionally than in the rest of Switzerland. One weighs in with nationally most important banking and vice sector, in terms of the size, and the Valais canton duces a high level of income from tourism.

Rapid Expansion

Rather cut off from the rest of Switzerland by the barrier of the Alps, the Italian-speaking canton of Ticino started on a rather sleepy, wine-grape vacationers' paradise. It still something of this reputation despite the incredibly rapid economic expansion of the last years. The population grew by 50 per cent in 15 years apart from Geneva, the Ticino has the highest number of foreign residents and a very group of non-resident workers. Development has been concentrated in construction and expansion of the service industries, particularly banks, a unit recently cashed in on steady flow of funds from 1

Right now the Ticino is suffering both from the very slow fallback in construction, the decline in tourism and the newness surrounding the future of its top-heavy banking establishment.

Agriculture: Reliance on Self-Sufficiency

BERN (HT)—For all its scenery and despite that hardy bit of Swiss folklore, the Alpbarn-playing cowherd, Switzerland is one of the least agricultural countries in Europe. Barely more than 6 per cent of the country's total working population is engaged in farming. But this does not imply that agriculture is insignificant in terms of the Swiss economy. It produces an overall income of more than SF 5 billion annually and ensures that the country is about 60 per cent self-sufficient in farm produce.

This is the result of costly government intervention. Swiss agriculture would not have survived in the last thirty years had there not been strict limits on the imports of cheaper produce from abroad combined with an intricate pattern of subsidization aimed at providing the efficient farmer with an income in line with those prevailing in other sectors.

The basis for this has been an obsessive fear of having to rely on the outside world for food supplies. It was realized during the war that a surrounded Switzerland could be virtually starved into submission, and the federal government's agricultural policy, started on the basis of wheat supplies in 1932, has been built up to reach into every area of farming, implying strict price controls, rationalization of production and special incentives for farming in mountainous areas.

Friction

The result, by and large, has been highly successful although it has caused a lot of friction and, particularly, hard feelings on the part of the consumer. Indeed, there is a kind of running battle between the towns and the countryside, occasionally erupting into meat and butter boycotts on the one hand, and, on the other, farmers armed with pitchforks destroying truckloads of Italian fruit or tipping their own produce onto communal refuse dumps.

Hardly a month goes by without some incident or other of this kind gaining brief public attention. And although the Swiss people have generally accepted the need to protect agriculture, there is a sneaking suspicion that the farm lobby in Bern is altogether too powerful and that the farmers have been getting it all their way too long, particularly when one sees the astonishing prices sometimes reached for re-zoned farmland sold to real estate developers.

Last year the government went on record to the effect that productivity had more than tripled since the Second World

War—the result, largely, of the disappearance of many of the small and less profitable farming operations. These were absorbed into larger units and the high level of Swiss wages encouraged heavy mechanization where this was practicable.

As average acreage grew, the actual number of farms and small holdings declined dramatically. Out of some 206,000 in 1955, there were a bare 139,000 in 1975, while the total of those farmed on a full-time basis fell even faster—from 149,000 to 77,000. The number of full-time farm workers decreased even more spectacularly—down from nearly 275,000 twenty years ago to a mere 130,000 today.

Despite these changes, and a

pretty significant move to the towns, especially by younger people, the actual acreage under farming has declined by only 5 per cent. Indeed, as a result of government efforts the amount of arable as opposed to pasture-land has actually increased in certain areas, and the overall national total of such land under cultivation has risen from 260,000 hectares to 282,000 today.

Feed cereal acreage has increased very sharply (over 71 per cent) in the last ten years, while land under broad cereals has been run down by 24 per cent. But government plans, which are followed by the farming community, are for a significant increase in both types of cereal cultivation in the next five years.

The future, however, lies in the highly mechanized, so-called farm run along big lines. It is likely that the remaining small operations now on part-time operation be absorbed into larger units. With today's average acreage a farm or smallholding of 10 hectares, some 42 per cent now run on this basis and one-man farms is the rule in many areas. These people have to cooperate with neighbors to a larger extent pool equipment if they are to survive as independent operators.

For the cattle farmers, cows are still very much a feature of the Swiss agricultural scene. The future is unlikely to be spectacular. Government plans are to stabilize the population at about 800,000, and with domestic consumption of dairy products unlikely to prove significantly, this number is probably more than enough.

Economy Prey to Recession

(Continued from Page 1.)

bone or even selling at a loss, a further erosion of the position in traditional client markets, and significant unused capacity.

Last year Swiss exports jumped by nearly 11 per cent in value terms, and the first two months of this year have produced figures 13 per cent ahead of the equivalent period in 1976. But in volume terms exports have declined slightly in the same period.

Still, sales abroad have provided the motor for the Swiss economy. The contribution of exports in real terms to the gross domestic product has risen from 22.2 per cent in 1974 to 31.6 per cent in 1976, reflecting mainly a considerable improvement in sales of textiles, clothing and chemicals. Capital goods have done less well in line with sagging world demand.

Domestically, private consumer demand, which fell in real terms from early 1974 to the middle of last year, is hardly likely to pick up significantly even though there are some positive signs.

The investment demand picture is also questionable, although on the face of it there is plenty of incentive for industry to engage in plant and equipment renewal. The lack of inflation and the virtual stability of the franc should have restored some degree of confidence, while imported capital equipment is still enjoying a cost advantage and credit is available on very easy terms. But with considerable unused capacity combined with relatively stable stocks following last year's buildup, the authorities can hardly expect much joy to come from this source.

Meanwhile, although monetary policy remains expansionary, if cautiously so, fiscal policy does not appear to have been generat-

ing the kind of demand in construction and capital equipment that was hoped for under supplementary stimulation programs. The Swiss are having misgivings about pushing this line much further, although additional measures are under study at both federal and cantonal level.

There appears to be no easy way out of the problems caused by the combination of cyclical and structural factors largely responsible for the heavier downturn than that experienced in other countries in real gross national product. Industry seems to have managed to get by so far through penny-pinching rationalization, a trimmer, tightly belted approach to sales, and considerable adaptation.

The Big Question

Firms are not loath to sell their know-how where they cannot sell their goods, and determined efforts have been made to keep up or catch up with the latest technological developments. Expenditure on research is still relatively high.

The big question now is whether the Swiss franc can be held at a stable and acceptable level. Several of the harder hit sectors have been crying wolf for quite some time, although in fact they have not yet been pulled under by the "overvalued" Swiss franc. Now, however, it is widely recognized that a further sharp twist in the upward spiral could deal a fatal blow to many companies. The trouble is that the tools available to counterbalance further upward pressures are very limited. Exchange controls are firmly rejected. Market intervention by the national bank has obvious limits and it is becoming harder to provide incentives for capital exports.

Marginal Operation

Swiss cheese exports have suffered heavily from the very rate of exchange for the franc, and the extremely low domestic prices for beef and have led to a switch into and poultry. But even this ket is now nearing saturation. Demand for pork is not expected to rise very much though poultry could still, in the future, be expected to make modest gains.

Many of the marginal farm operations are in the mountainous areas of the Ticino and cantons of Valais, and the importance of maintaining the recognized for environmental reasons as well as of simply allowing the local people to continue living the way they always have. But the environment has less money available than it would like for the support of mountain farming and several instances townspeople in with their own contributions much closer to the land their counterparts in other areas.

Special measures also apply to Swiss vineyards. The total area of vineyards has been steadily stabilized at around level it was in the 1930s, even this still produces too in practical terms for the market. The reason is that wine is very costly compared imports from France, Italy, or as far away as Chile. Although the government has some increasingly restrictive setting limits on imports, it expects Swiss wines to do more than merely hold the one share of the indigenous in they now enjoy.

SWISS REAL ESTATE—

—And How To Retire In Switzerland

by
Lawrence T. Patterson

Send \$8.95 plus \$1.00 postage and handling to: Postfach 987, 4001 Basel, Switzerland... You'll also receive the latest issue of the L.T. PATTERSON STRATEGY LETTER—FREE!

Alpine Campus Above Lake Geneva
BA, BS and AA programs with degrees conferred under US authority. Europe-wide field research, study tours. Skiing at doorstep. Co-ed, boarding, 40-nation student body. Where the nations meet.

American College of Switzerland
1854/Ry, Leysin, Switzer.

ملک منہ الملک